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

Consolidated Financial Statements

With Independent Auditors' Review Report

For the Six Months Ended June 30, 2019 and 2018

(Stock Code: 9802)

Address: Ugland House, Grand Cayman, KY 1-1104, Cayman Islands

Telephone: (886)-5-5514619

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 June 30, 2019 and 2018, the related consolidated statements of comprehensive income for the three months ended June 30, 2019 and 2018 and for the six months ended June 30, 2019 and 2018, the consolidated statements of changes in equity and cash flows for the six months ended June 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 June 30, 2019 and 2018, its consolidated financial performance for the three months ended June 30, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the six months ended June 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

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

			June 30, 2019		December 31, 2018		June 30, 2018	
	Assets	Note	Amount	%	Amount	%	Amount	%
	Current assets:							
1100	Cash and cash equivalents	6(A)	$ 1,367,944	11	$ 1,313,073	12	$ 1,227,168	12
1150	Notes receivable, net	6(C)	368	-	-	-	-	-
1170	Accounts receivable, net	6(C)	2,695,161	21	2,140,291	19	1,772,380	18
1200	Other receivables		133,243	1	190,803	2	115,074	1
130X	Inventories	6(D)	2,270,157	17	1,863,144	17	1,937,748	19
1410	Prepayments		83,961	1	77,949	-	88,162	1
1470	Other current assets		33,877	-	18,734	-	19,493	-
11XX	**Total current assets**		6,584,711	51	5,603,994	50	5,160,025	51
	Non-current assets							
1510	Financial assets at fair value through profit or loss	6(B)	2,908		1,854	-	3,308	-
1600	Property, plant and equipment	6(E)&8	5,363,440	42	4,930,269	44	4,507,863	45
1755	Right-of-use assets	6(F)	802,648	6	-	-	-	-
1780	Intangible assets		15,712	-	16,970	-	18,390	-
1840	Deferred income tax assets	6(V)	55,283	-	59,732	1	78,038	1
1900	Other non-current assets	6(G)&8	121,914	1	510,849	5	337,558	3
15XX	**Total non-current assets**		6,361,905	49	5,519,674	50	4,945,157	49
1XXX	**Total assets**		$ 12,946,616	100	$ 11,123,668	100	$ 10,105,182	100

(Continued)

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

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

			June 30, 2019		December 31, 2018		June 30, 2018	
	Liabilities and Equity	Note	Amount	%	Amount	%	Amount	%
	Current liabilities							
2100	Short-term loans	6(H)	$ 1,597,860	12	$ 1,077,264	10	$ 1,048,399	10
2110	Short-term notes payable		79,966	1	-	-	-	-
2120	Financial liabilities at fair value through profit or loss		-	-	-	-	1,094	-
2130	Contract liabilities	6(Q)	9,446	-	27,619	-	10,913	-
2170	Accounts payable		1,277,378	10	1,010,680	9	1,038,445	10
2200	Other payables	6(I)	1,379,687	11	931,344	8	1,268,614	13
2230	Tax liabilities	6(V)	69,642	-	77,513	1	69,320	1
2280	Lease Liabilities		31,360	-	-	-	-	-
2300	Other current liabilities	6(J)(L)	23,137	-	250,158	2	243,376	2
21XX	**Total current liabilities**		4,468,476	34	3,374,578	30	3,680,161	36
	Non-Current liabilities:							
2500	Financial liabilities measured at fair value through profit or loss	6(B)	-	-	5,500	-	-	-
2530	Corporate bonds payable	6(J)	696,986	5	971,025	9	-	-
2540	Long term loans	6(K)	-	-	10,000	-	60,000	1
2570	Deferred income tax liabilities	6(V)	913	-	945	-	4,279	-
2580	Lease liabilities		344,686	3	-	-	-	-
2600	Other non-current liabilities	6(L)	224,703	2	224,004	2	231,691	2
25XX	**Total non-current liabilities**		1,267,288	10	1,211,474	11	295,970	3
2XXX	**Total liabilities**		5,735,764	44	4,586,052	41	3,976,131	39
	Attributable to the owners of the parent company							
	Share capital	6(N)						
3110	Capital of common stock		1,622,246	13	1,462,735	13	1,462,735	15
3140	Capital collected in advance		-	-	65,886	1	-	-
	Capital surplus	6(O)						
3200	Capital surplus		3,956,637	30	3,377,120	31	3,339,715	33
	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		1,086,280	9	1,221,151	11	827,188	8
	Other equity							
3400	Other equity		(343,564)	(3)	(420,541)	(4)	(302,914)	(3)
3500	**Treasury stock**	6(N)	-	-	-	-	(32,824)	-
31XX	**Total equity attributable to owners of the parent company**		7,163,295	55	6,499,340	59	6,086,889	60
36XX	**Non-controlling interests**		47,557	1	38,276	-	42,162	1
3XXX	**Total Equity**		7,210,852	56	6,537,616	59	6,129,051	61
	Commitments and contingent liabilities	9						
	Significant subsequent events							
3X2X	**Total liabilities and equity**		$ 12,946,616	100	$ 11,123,668	100	$ 10,105,182	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 six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Common Share)

	Item	Note	Three Months Ended June 30, 2019		Three Months Ended June 30, 2018		Six Months Ended June 30, 2019		Six Months Ended June 30, 2018	
			Amount	%	Amount	%	Amount	%	Amount	%
4000	**Operating revenue**	6(Q)	$ 3,354,345	100	$ 2,622,063	100	$ 5,931,988	100	$ 4,784,741	100
5000	**Operating costs**	6(D)	(2,819,869)	(84)	(2,214,418)	(85)	(4,891,676)	(82)	(3,954,605)	(83)
5950	**Net gross profit from operations**		534,476	16	407,645	15	1,040,312	18	830,136	17
	Operating expenses	6(U)								
6100	Selling expenses		(45,444)	(1)	(49,436)	(2)	(89,631)	(1)	(92,592)	(2)
6200	Administrative expenses		(168,417)	(5)	(163,173)	(6)	(337,324)	(6)	(318,931)	(7)
6300	Research & Development expenses		(34,730)	(1)	(32,338)	(1)	(65,103)	(1)	(63,897)	(1)
6000	**Total operating expenses**		(248,591)	(7)	(244,947)	(9)	(492,058)	(8)	(475,420)	(10)
6900	**Operating income**		285,885	9	162,698	6	548,254	9	354,716	7
	Non-operating income and expenses									
7010	Other income	6(R)	4,913	-	7,815	-	37,382	1	25,285	1
7020	Other gains and losses	6(S)	56,702	2	115,372	5	13,663	-	17,038	-
7050	Finance costs	6(T)	(10,442)	-	(4,588)	-	(18,626)	-	(8,870)	-
7000	**Total non-operating income and expenses**		51,173	2	118,599	5	32,419	1	33,453	1
7900	**Profit before tax**		337,058	10	281,297	11	580,673	10	388,169	8
7950	Income tax expenses	6(V)	(41,394)	(1)	(42,332)	(2)	(80,242)	(1)	(51,392)	(1)
8200	**Profit**		$ 295,664	9	$ 238,965	9	$ 500,431	9	$ 336,777	7
	Other comprehensive income (net)									
	Items that may be reclassified subsequently to profit or loss									
8361	Exchange differences on translation of foreign operations		($ 39,594)	(1)	$ 48,002	2	$ 77,104	1	$ 144,163	3
8300	**Other comprehensive income (loss), net**		($ 39,594)	(1)	$ 48,002	2	$ 77,104	1	$ 144,163	3
8500	**Total comprehensive income(loss)**		$ 256,070	8	$ 286,967	11	$ 577,535	10	$ 480,940	10
	Net income(loss) attributable to:									
8610	Shareholders of the parent company		$ 296,708	9	$ 240,361	9	$ 502,014	9	$ 338,896	7
8620	Non-controlling interests		($ 1,044)	-	($ 1,396)	-	($ 1,583)	-	($ 2,119)	-
	Total comprehensive income(loss) attributable to:									
8710	Shareholders of the parent company		$ 257,467	8	$ 287,450	11	$ 578,991	10	$ 482,538	10
8720	Non-controlling interests		($ 1,397)	-	($ 483)	-	($ 1,456)	-	($ 1,598)	-
	Earnings per share	6(W)								
9750	**Basic earnings per share total**		$ 1.85		$ 1.65		$ 3.21		$ 2.33	
	Diluted earnings per share									
9850	**Diluted earnings per share total**		$ 1.72		$ 1.60		$ 2.99		$ 2.27	

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 six months ended June 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		-	-	-	-	-	338,896	-	-	-	338,896	(2,119)	336,777
Other comprehensive income		-	-	-	-	-	-	143,642	-	-	143,642	521	144,163
Total comprehensive income		-	-	-	-	-	338,896	143,642	-	-	482,538	(1,598)	480,940
Appropriations of earnings													
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 June 30, 2018		$ 1,462,735	$ -	$ 3,339,715	$ 346,855	$ 446,134	$ 827,188	($ 302,914)	$ -	($ 32,824)	$ 6,086,889	$ 42,162	$ 6,129,051
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		-	-	-	-	-	502,014	-	-	-	502,014	(1,583)	500,431
Other comprehensive income		-	-	-	-	-	-	76,977	-	-	76,977	127	77,104
Total comprehensive income		-	-	-	-	-	502,014	76,977	-	-	578,991	(1,456)	577,535
Appropriations of earnings													
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)	99,511	-	411,090	-	-	-	-	-	-	510,601	-	510,601
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	-	10,737	10,737
Balance to June 30, 2019		$ 1,622,246	$ -	$ 3,956,637	$ 421,155	$ 420,541	$ 1,086,280	($ 343,564)	$ -	$ -	$ 7,163,295	$ 47,557	$ 7,210,852

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 six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Note	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities			
Income before tax		$ 580,673	$ 388,169
Adjustments			
Adjustments to reconcile profit and loss			
Measuring net profit of financial assets	6(B)(S)		
(liabilities) at fair value through profit and loss		(6,620)	22
Depreciation	6(E)(F)(U)	300,395	253,720
Amortization	6(U)	17,050	14,882
Expected credit loss (reversal) provision	12	2,296	867
Long term prepayment of rent for rental	6(G)	-	3,268
Disposition and disposal of loss of real	6(S)		
property, plant and equipment		795	6,760
Interest income	6(R)	(5,154)	(4,519)
Interest expenses	6(T)	18,626	8,870
Changes in assets / liabilities relating to			
operating activities			
Net changes in operating assets			
Measuring financial assets and liabilities at			
fair value through profit and loss		-	1,970
Notes receivable		(368)	9
Accounts receivable		(533,365)	141,617
Other receivables		59,236	9,873
Inventories		(387,199)	(390,679)
Prepayments		(7,738)	(27,415)
Other current assets		(14,946)	227
Net changes in liabilities related to operating			
Contract liabilities		(18,481)	(3,679)
Notes payable		-	(4,751)
Accounts payable		255,948	124,848
Other payables		(71,012)	(43,169)
Other current liabilities		9,326	(7,459)
Other non-current liabilities		(1,603)	(1,634)
Cash inflows generated from operating activities		197,859	471,797
Interest income received		5,338	4,367
Interest income paid		(10,927)	(7,174)
Income tax paid		(83,647)	(113,135)
Net cash generated from operating activities		108,623	355,855

(Continued)

(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 six months ended June 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

	Note	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from investing activities			
Acquisition of property, plant and equipment	6(Y)	($ 741,877)	($ 284,962)
Disposal of property, plant and equipment		4,358	3,302
Acquiring right- of- use assets		(23,938)	-
Acquiring intangible assets		(311)	(1,329)
Increase in other non-current assets		(23,051)	(8,791)
Refundable deposits refunded (paid)		403	(32)
Net cash used in investing activities		(784,416)	(291,812)
Cash flows from financing activities			
Short-term loans reduction	6(Z)	508,569	155,999
Increase in short-term bills	6(Z)	79,966	-
Long-term loans	6(Z)	-	50,877
Repayment of long-term loans	6(Z)	(10,112)	(82,994)
Lease principal repayment	6(Z)	(25,204)	-
Redemption of convertible corporate bonds	6(J)(Z)	(5,300)	(9,865)
Capital increase by cash		165,114	-
Increase (decrease) in non-controlling interests		10,737	-
Net cash flows from financing activities		723,770	114,017
Effect of exchange rate changes		6,894	(18,929)
Net increase in cash and cash equivalents		54,871	159,131
Cash and cash equivalents at beginning of period		1,313,073	1,068,037
Cash and cash equivalents at end of period		$ 1,367,944	$ 1,227,168

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 August 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 about “Prepayment Features with Negative Compensation”	January 1, 2019
IFRS 16 about “Leases”	January 1, 2019
Amendments to IAS 19 about “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 about “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 about “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 second quarter of 2019 are $682.

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

New/Revised/Amended Standards and Interpretations	Effective date set by IASB
Revision of IAS1 and IAS8, about "Definition of Significance"	January 1, 2020
Revision of IFRS3, about "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. The impact of international financial reporting standards issued by the International Accounting Standards Board has not yet been approved by the FSC.

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

New/Revised/Amended Standards and Interpretations	Effective date set by IASB
IFRS10 and IAS28, about "Sale or Investment of Assets between Investors and their Associates and Joint Ventures"	Investment still held by the IASB decision
IFRS17 about "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 4 of the consolidated financial statements of 2008 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 2008.

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

Name of Investor	Name of Subsidiary	Nature of business	Percentage of ownership		
			June 30, 2019	December 31, 2018	June 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

Name of Investor	Name of Subsidiary	Nature of business	Percentage of ownership		
			June 30, 2019	December 31, 2018	June 30, 2018
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.	Distribution Agent and Import and Export Trade	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
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 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 5 of the Consolidated Financial Report of 2018.

6. Explanation of Significant Accounts

A. Cash and Cash Equivalents

	June 30, 2019	December 31, 2018	June 30, 2018
Cash on hand and revolving funds	$ 4,075	$ 3,582	$ 2,362
Checking deposits & demand deposits	1,235,564	845,574	1,024,550
Time deposits	128,305	463,917	200,256
Total	**$ 1,367,944**	**$ 1,313,073**	**$ 1,227,168**

(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 June 30, 2019, December 31, 2018 and June 30, 2018 are all $0.

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

Item	June 30, 2019	December 31, 2018	June 30, 2018
Current items:			
Financial assets mandatorily measured at fair value through profit or loss			
- Non-hedging of financial derivatives	$ -	$ -	($ 1,094)
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
- Listed cabinet company stock	$ 2,409	$ 1,854	$ 3,308
Financial assets designated as fair value through profit or loss			
- Convertible corporate bond redemption and sale rights	499	-	-
Total	$ 2,908	$ 1,854	$ 3,308
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 The Group undertook transactions and contract information on derivative financial assets not covered by applicable - non-hedging accounting on June 30,2019 and December 31, 2018 as follows:

	June 30, 2018	
Derivative financial assets	Contract amount (Notional amounts)	Due date
Forward foreign exchange contract	US$ 1,000,000	August 27, 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 April 1 to June 30, 2019 and 2018 , with recognized gains and losses were $0 and $1,468, respectively. The recognized interests on January 1 to June 30, 2019 and 2018 , with recognized gains and losses were $0 and $107, respectively.

(2) The convertible corporate bonds the Group held the right to redeem and sell from April 1 to June 30, 2019 and 2018, with recognized gains and losses were $674 and $190, respectively. From January 1 to June 30, 2019 and 2018, with recognized gains and losses were $6,065 and $315, respectively.

(3) The shares of listed OTC companies the Group held from April 1 to June 30, 2019 and 2018, with recognized gains and losses were $91 and $400, respectively. From January 1 to June 30, 2019 and 2018, with recognized gains were $555 and $400, 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	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Notes receivable	$ 368	$ -	$ -
Accounts receivable	$ 2,701,107	$ 2,143,921	$ 1,776,081
Less: Loss allowance	(5,946)	(3,630)	(3,701)
	$ 2,695,161	$ 2,140, 291	$ 1,772,380

(1) Note receivable and account age analysis are as follows:

	June 30, 2019	**December 31, 2018**	**June 30, 2018**
Not past due	$ 2,437,728	$ 2,030,828	$ 1,668,559
0 to 90 days past due	247,480	110,491	104,333
91 to 180 days past due	8,144	139	531
181 to 365 days past due	6,314	474	1,770
Past due over 365 days	1,809	1,989	888
Total	$ 2,701,475	$ 2,143,921	$ 1,776,081

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

D. Inventories

	June 30. 2019		
	Cost	Allowance for inventory market decline and obsolescence	**Carrying amounts**
Merchandise inventory	$ 77,536	($ 14,506)	$ 63,030
Raw material	630,981	(35,768)	595,213
Work in process	571,541	(3,382)	568,159
Finished goods	696,748	(22,431)	674,317
In-transit inventory	369,438	-	369,438
	$ 2,346,244	($ 76,087)	$ 2,270,157

	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)	31,474
Work in process	475,770	(6,436)	469,334
Finished goods	725,356	(26,900)	698,456
In-transit inventory	203,191	-	203,191
	$ 1,947,896	($ 84,752)	$ 1,863,144

	June 30. 2018		
	Cost	Allowance for inventory market decline and obsolescence	**Carrying amounts**
Merchandise inventory	$ 69,957	($ 12,977)	$ 56,980
Raw material	562,804	(42,375)	520,429
Work in process	493,124	(9,303)	483,821
Finished goods	663,704	(29,571)	634,133
In-transit inventory	242,385	-	242,385
	$ 2,031,974	($ 94,226)	$ 1,937,748

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

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Inventory cost sold	$ 2,841,971	$ 2,200,523
Inventory depreciation loss (recovery benefit)	(21,019)	13,157
Inventory scrap loss	99	123
Stock (profit) loss	(1,019)	2,418
Recognized as expenses	(581)	(873)
Effect of exchange rate changes	418	(930)
	$ 2,819,869	$ 2,214,418

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Inventory cost sold	$ 4,901,467	$ 3,943,818
Inventory depreciation loss (recovery benefit)	(8,665)	11,376
Inventory scrap loss	192	255
Stock loss	630	1,160
Recognized as expenses	(1,069)	(947)
Effect of exchange rate changes	(879)	(1,057)
	$ 4,891,676	$ 3,954,605

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

E. Property, Plant and Equipment

	Six Months Ended June 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	$ -	$ -	$ -	$ 3,392	$ 305,446
Buildings	3,214,325	71,543	(439)	108,862	32,759	3,427,050
Machinery equipment	2,483,953	185,499	(24,191)	182,631	24,818	2,852,710
Transportation equipment	92,163	3,915	(689)	-	854	96,243
Office equipment	40,590	1,088	(607)	535	421	42,027
Other	1,188,306	46,437	(16,987)	40,120	12,891	1,270,767
Construction in progress	521,341	321,551	-	(296,963)	5,495	551,424
	$ 7,842,732	$ 630,033	($ 42,913)	$ 35,185	$ 80,630	$ 8,545,667
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)	($ 74,207)	$ 415	$ -	($ 8,716)	($ 969,975)
Machinery equipment	(1,232,709)	(108,502)	19,094	-	(12,020)	(1,334,137)
Transportation equipment	(55,023)	(4,180)	689	-	(517)	(59,031)
Office equipment	(34,599)	(1,120)	580	-	(359)	(35,498)
Other	(702,665)	(90,416)	16,982	-	(7,487)	(783,586)
	($ 2,912,463)	($ 278,425)	$ 37,760	$ -	($ 29,099)	($ 3,182,227)
	$ 4,930,269					$ 5,363,440

Six Months Ended June 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	$ -	$ -	$ -	$ 6,884	$ 299,546
Buildings	2,814,015	23,024	-	171,039	79,551	3,087,629
Machinery equipment	2,211,674	175,513	(32,678)	1,431	59,019	2,414,959
Transportation equipment	91,078	3,802	(2,384)	-	5,945	98,441
Office equipment	39,559	568	(234)	(-)	765	40,658
Others	1,057,092	55,378	(13,319)	42,195	19,669	1,161,015
Leased assets	5,560	-	(5,560)	-	-	-
Construction in progress	408,868	60,150	-	(213,838)	10,091	265,271
	$ 6,920,508	$ 318,435	($ 54,175)	$ 827	$ 181,924	$ 7,367,519

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)	($ 68,492)	$ -	($ 7)	($ 13,167)	($ 835,740)
Machinery equipment	(1,199,008)	(96,130)	25,839	-	(23,632)	(1,292,931)
Transportation equipment	(48,850)	(4,908)	2,384	7	(2,672)	(54,039)
Office equipment	(33,463)	(948)	223	-	(524)	(34,712)
Others	(563,342)	(83,149)	13,072	-	(8,815)	(642,234)
Leased assets	(2,502)	(93)	2,595	-	-	-
	($ 2,601,239)	($ 253,720)	$ 44,113	$ -	$ 48,810	($ 2,859,656)
	$ 4,319,269					$ 4,507,863

In June 30, 2019, December 31, 2018 and June 30, 2018, the Group provides guarantees information with real estate, plant and equipment. Please refer to Note 8 for details

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:

	June 30, 2019 Carrying amount
Land	$ 618,616
Buildings	183,921
Transportation Equipment (company car)	111
	$ 802,648

	Three Months Ended June 30, 2019 Depreciation expense	Six Months Ended June 30, 2019 Depreciation expense
Land	$ 8,632	$ 18,998
Buildings	1,814	2,889
Transportation Equipment (company car)	42	83
	$ 10,488	$ 21,970

(3)The profit and loss item relating to the lease contract is as follows:

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Items affecting current profit and loss		
Interest expense on lease liability	$ 1,228	$ 1,280
Is the cost of a short-term lease contract	102	682

G. Other Non-Current Assets

Items	June 30, 2019	December. 31, 2018	June 30, 2018
Non-current:			
Long-term prepaid rent	$ -	$ 415,897	$ 265,759
Prepaid for equipment	76,317	52,090	29,312
Refundable deposits	4,948	5,294	5,334
Other	40,649	37,568	37,153
Total	$ 121,914	$ 510,849	$ 337,558

(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 April 1 to June 30 and from January 1 to June 30, 2018 were $1,644 and $3,268, respectively.

(2) In June 30, 2019, December 31, 2018 and June 30, 2018, the group's information on the guarantee of other non-current assets is described in detail in Note 8.

H. Short-Term Loans

Loan Type	June 30, 2019	Interest rate range	Collateral
Credit loans	$ 1,597,860	0.73%~3.00%	Note
Loan Type	December 31, 2018	Interest rate range	Collateral
Credit loans	$ 1,077,264	0.70%~2.93%	Note
Loan Type	June 30, 2018	Interest rate range	Collateral
Credit loans	$ 1,048,399	0.78%~2.50%	Note

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

I. Other Payables

Items	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Dividend payable	$ 588,178	$ -	$ 599,554
Accrued salaries	390,561	449,902	356,941
Payables on equipment	214,946	267,378	142,778
Other	186,002	214,064	169,341
	$ 1,379,687	$ 931,344	$ 1,268,614

J. Corporate Bonds Payable

	June 30, 2019	**December 31, 2018**	**June 30, 2018**
Domestic third unsecured convertible bonds	$ -	$ 237,600	$ 237,600
Domestic fourth unsecured convertible bonds	714,000	1,000,000	-
Less: discount on corporate bonds payable	(17,014)	(30,080)	(2,684)
Subtotal	696,986	1,207,520	234,916
Less: expiration within one year	-	(236,495)	(234,916)
Total	$ 696,986	$ 971,025	$ -

(1) The third unsecured convertible 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 bonds of the Company are as follows:

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

ii. The convertible 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 bond holder are the same as those of the original common stock.

iii. The conversion price of the convertible bond is set at $58.5 per share at the time of issue, and the conversion price of the convertible 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 bond is issued two full years, the bondholder may require the Company to redeem the convertible bond in cash at 101.0025% of the face value of the bond.

v. When the the convertible 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 bond is issued 3 months, When the balance of the convertible 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 bond will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.

(b) The convertible bond denomination $684,700 has been converted to 12,852 thousand shares of common stock. After the issuance of the convertible 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 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 debt, 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 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 bonds of the Company are as follows:

i. With the approval of the competent authority, the Company raised and issued the 4th unsecured convertible bonds in Taiwan, totalling $1,000,000, with a par value of $100,000 and a coupon interest rate of 0%. The convertible bond was issued for 3 years and circulated from October 2, 2018 to October 2, 2021. When the convertible bond matured, it was repaid in cash at the face value of the bond. The convertible bond was listed at Gre Tai Securities Market Exchange on October 2, 2018 .

ii. The convertible 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 bond holder are the same as those of the original common stock.

iii. The conversion price of the convertible bond is set at $54.5 per share at the time of issue, and the conversion price of the convertible 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 bond is issued two full years, the bondholder may require the Company to redeem the convertible bond in cash at 101.0025% of the face value of the bond.

v. When the the convertible 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 bond is issued 3 months, When the balance of the convertible 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 bond will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.

(b) As of June 30, 2019, the convertible bond denomination $286,000 has been converted to 5,286 thousand shares of common stock. After the issuance of the convertible 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 $54.1 per share in accordance with the provisions of the terms of issue.

(c) When issuing the convertible corporate debt, 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 balance on June 30, 2019 is $21,187. 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 June 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	June 30, 2018
Long-term bank loans				
Credit loans	From December 26, 2017 to June 8, 2020, with monthly interest payment, the principal can be paid at any time.	0.9371% ~0.9377%	None	$ 60,000

L. Other Current Liabilities and Other Non-Current Liabilities

Items	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Current:			
Corporate bonds payable	$ -	$ 236,495	$ 234,916
Other current liabilities - Others	23,137	13,663	8,460
Other	$ 23,137	$ 250,158	$ 243,376

Items	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**
Non-Current:			
Deferred government grant income	$ 129,658	$ 129,924	$ 135,071
Other non-current liabilities - Others	95,045	94,080	96,620
Total	$ 224,703	$ 224,004	$ 231,691

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 six months ended June 30, 2019 and 2018, the Group's pensions based on the pensions method mentioned about are divided into $1,295, $1,242, $2,613 and $2,477, 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, based on a monthly 18% to 20% of the total local staff salaries set aside pension (Sunny Footwear and Fujian Sunshine Footwear is 18%; Hubei Sunsmile Footwear is 19%; Fujian Laya Outdoor Products and Fujian La Sportiva is 18% 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 six months ended June 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 $15,788, $17,030, $34,073 and $33,142, 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 six months ended June 30, 2019 and 2018, the above-mentioned pension measures of the Group recognized under pension were $23,263, $19,520, $45,527 and $38,743, respectively.

N. Share Capital

(1) On August 6, 2018, the Company adopted a cash replenishment plan by the Board of Directors, which issued 6,000 thousands common stock with cash replenishment and declared to the FSC on September 7, 2018; the issue price was $38.5 per share, the base date of replenishment was January 11, 2019, and the amount raised was $231,000.

(2) On June 30, 2019, the Company's rated capital was $2,000,000, divided into 200 million shares, the paid in capital was $1,622,246, 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	9,951	77
June 30	162,225	146,274

(3) Treasury stock

(a) Reason and quantity of share recovery:

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

Name of the company holding the shares	Reason of recovery	June 30, 2018 Share (Thousand shares)	June 30, 2018 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. <u>Capital Surplus</u>

(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 Options	Restricted Stock Awards	Other	Total
January 1	$ 3,312,081	$ 45,886	$ 18,796	$ 357	$ 3,377,120
Capital increase by cash	176,158	(7,731)	-	-	168,427
Convertible corporate bonds to convert common stocks	427,869	(16,779)	-	-	411,090
Reversal of share options lapsed	-	(189)	-	189	
June 30	$ 3,916,108	$ 21,187	$ 18,796	$ 546	$ 3,956,637

	2018				
	Issue Premium	Share Options	Restricted Stock Awards	Other	Total
January 1	$ 3,308,664	$ 8,985	$ 18,796	$ -	$ 3,336,445
Convertible corporate bonds to convert common stocks	3,417	(147)	-	-	3,270
Stock options invalidation	-	(357)	-	357	-
June 30	$ 3,312,081	$ 8,481	$ 18,796	$ 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 information about staff bonus and director‘s remuneration, please refer to Note 6(U).

Q. Operating Revenue

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Revenue from Contracts with Customers	$ 3,354,345	$ 2,622,063
	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenue from Contracts with Customers	$ 5,931,988	$ 4,784,741

(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 14(B) for details.

(2) Contract liability

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

Items	**June 30, 2019**	**December 31, 2018**	**June 30, 2018**	**January 1, 2018**
Contract liability-Quantity discount	$ -	$ -	$ 610	$ 319
Contract liability-Advance sales receipts	9,446	27,619	10,303	14,247
Total	$ 9,446	$ 27,619	$ 10,913	$ 14,566

R. Other Income

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Interest income:		
Interest on bank deposits	$ 2,612	$ 1,853
Government subsidy income	1,486	2,016
Other income - Other	815	3,946
	$ 4,913	$ 7,815

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Interest income:		
Interest on bank deposits	$ 5,154	$ 4,519
Government subsidy income	11,555	4,445
Other income - Other	20,673	16,321
	$ 37,382	$ 25,285

S. Other Interests and Losses

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Disposal of Real Estate, Plant and Equipment Losses	($ 391)	($ 527)
Foreign exchange loss	59,597	120,985
Financial Assets and Liabilities Benefits Measured by Fair Value through Profits and Losses	765	(2,058)
Other losses	(3,269)	(3,028)
	$ 56,702	$ 115,372

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Disposal of Real Estate, Plant and Equipment Losses	($ 795)	($ 6,760)
Foreign exchange loss	14,784	28,494
Financial Assets and Liabilities Benefits Measured by Fair Value through Profits and Losses	6,620	(22)
Other losses	(6,946)	(4,674)
	$ 13,663	$ 17,038

T. Finance Costs

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Bank borrowing	$ 6,981	$ 3,799
Convertible corporate bonds	2,233	789
Lease liabilities	1,228	-
	$ 10,442	$ 4,588

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Bank borrowing	$ 11,912	$ 7,273
Convertible corporate bonds	5,434	1,597
Lease liabilities	1,280	-
	$ 18,626	$ 8,870

U. Expenses Expressed by Nature

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Employee benefits		
Salary	$ 959,588	$ 827,207
Labor and health insurance	28,870	23,617
Pension	40,346	37,792
Others	18,089	19,664
	1,046,893	908,280
Depreciation	151,714	130,366
Amortization	8,438	7,443
	$ 1,207,045	$ 1,046,089

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Employee benefits		
Salary	$ 1,756,612	$ 1,531,227
Labor and health insurance	57,446	46,357
Pension	82,213	74,362
Others	32,439	31,939
	1,928,710	1,683,885
Depreciation	300,395	253,720
Amortization	17,050	14,882
	$ 2,246,155	$ 1,952,487

(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 April 1 to June 30, 2019 and 2018, and from January 1 to June 30, 2019 and 2018 were $2,500, $1,250, $5,000 and $2,500, respectively; Directors ' remuneration estimates were $2,500, $1,250, $5,000 and $2,500, 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:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Current income tax:		
Income tax on current income	$ 38,563	$ 36,820
Additional surtax on undistributed retained earnings	-	57
Previous annual income tax overestimation	(1,772)	(12,010)
Total current income tax	36,791	24,867
Deferred income tax:		
The primitive generation and turn of temporary differences	4,603	17,468
The Impact of Tax Rate Change	-	(3)
Total deferred income tax	4,603	17,465
Income tax expenses	$ 41,394	$ 42,332

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Current income tax:		
Income tax on current income	$ 77,634	$ 87,685
Additional surtax on undistributed retained earnings	-	57
Previous annual income tax overestimation	(1,809)	(7,025)
Total current income tax	75,825	80,717
Deferred income tax:		
The primitive generation and turn of temporary differences	4,417	28,872
The Impact of Tax Rate Change	-	(453)
Total deferred income tax	4,417	29,325
Income tax expenses	$ 80,242	$ 51,392

(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

	Three Months Ended June 30, 2019		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit attributable to common shareholders of the parent company	$ 296,708	160,223	$ 1.85
Diluted earnings per share			
Net profit attributable to common shareholders of the parent company	$ 296,708	160,223	
Impact of potential common stock with limited effect on convertible bond	2,233	13,198	
Employee bonus	-	191	
The net profit of the common shareholders of the parent company and the impact of potential common stock	$ 298,941	173,612	$ 1.72

	Three Months Ended June 30, 2018		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit attributable to common shareholders of the parent company	$ 240,361	145,773	$ 1.65
Diluted earnings per share			
Net profit attributable to common shareholders of the parent company	240,361	145,773	
Impact of potential common stock with limited effect on convertible bond	789	4,416	
Employee bonus	-	86	
The net profit of the common shareholders of the parent company and the impact of potential common stock	$ 241,150	150,275	$ 1.60

	Six Months Ended June 30, 2019		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit attributable to common shareholders of the parent company	$ 502,014	156,571	$ 3.21
Diluted earnings per share			
Net profit attributable to common shareholders of the parent company	502,014	156,571	
Impact of potential common stock with limited effect on convertible bond	5,434	13,198	
Employee bonus	-	207	
The net profit of the common shareholders of the parent company and the impact of potential common stock	$ 507,448	169,976	$ 2.99

	Six Months Ended June 30, 2018		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net profit attributable to common shareholders of the parent company	$ 338,896	145,751	$ 2.33
Diluted earnings per share			
Net profit attributable to common shareholders of the parent company	338,896	145,751	
Impact of potential common stock with limited effect on convertible bond	1,597	4,416	
Employee bonus	-	118	
The net profit of the common shareholders of the parent company and the impact of potential common stock	$ 340,493	150,285	$ 2.27

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	June 30, 2018
Not more than 1 year	$ 25,939	185,799
More than 1 year but less than 5 years	91,267	97,997
More than 5 years	135,785	140,826
	$ 252,991	$ 424,622

Y. Supplementary Information on Cash Flow

(1) Investing activities with partial cash payments:

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Additions to property, plant and equipment	$ 665,218	$ 319,262
Less: Prepayments for equipment at the beginning of the period	(52,090)	(38,530)
Add: Prepayments for equipment at the end of the semester	76,317	29,312
Add: Payables for equipment at the beginning of the period	267,378	117,696
Less: Payables for equipment at the end of the period	(214,946)	(142,778)
Cash paid in the period	$ 741,877	$ 284,962

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

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Share capital converted from convertible corporate bonds	$ 99,511	$ 762

Z. Changes in Liabilities Arising from Financing Activities

	Long and short term loans and short-term bills	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	578,423	(25,204)	(5,300)	547,919
Other non-cash flows	-	161,814	(505,234)	(43,420)
Effects of exchange rate changes	12,139	4,296	-	16,435
June 30, 2019	$ 1,677,826	$ 376,046	$ 696,986	$ 2,750,858

	Short term loans	Long term loans	Convertible Corporate bonds (note)	Total liabilities from financing activities
January 1, 2019	$ 871,857	$ 90,000	$ 247,222	$ 1,209,079
Changes in cash flows from financing	155,999	(32,117)	(9,865)	114,017
Other non-cash flows	-	-	(2,441)	(2,441)
Effects of exchange rate changes	20,543	2,117	-	22,660
June 30, 2019	$ 1,048,399	$ 60,000	$ 234,916	$ 1,343,315

Note: including portion due within one year

7. Related-Party Transactions

Key Management Compensation

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Short-term employee benefits	$ 10,239	$ 14,025

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Short-term employee benefits	$ 26,180	$ 28,320

8. Pledged Assets

Assets	Carrying amount June 30, 2019	December 31, 2018	June 30, 2018	Guarantee use
Land	$ 111,042	$ 109,809	$ 108,897	Short-term loans
Buildings	174,917	175,252	176,056	Short-term loans
Other financial assets (listed other non-current assets)	1,886	412	413	Deposits for leased land
Refundable deposits (listed other non-current assets)	4,948	5,294	5,334	Deposits for leased land and other
	$ 292,793	$ 290,767	$ 290,700	

9. Significant Contingent Liabilities and Unrecognized Contract Commitments

(1) Capital expenditure contracted but not yet incurred:

	Contract Price		
	June 30, 2019	December 31, 2018	June 30, 2018
Property, plant & equipment	$ 879,379	$ 939,180	$ 499,887

	Unpaid Price		
	June 30, 2019	December 31, 2018	June 30, 2018
Property, plant & equipment	$ 373,388	$ 560,348	$ 81,758

(2) For operating lease agreements, please refer to Note6(X) for details.

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 12 Consolidated financial statements in 2018.

B. Financial Instruments

(1) Categories of financial instruments

	June 30, 2019	December 31, 2018	June 30, 2018
Financial Assets			
Financial assets at fair value through profit or loss			
Financial assets mandatorily measured at Fair Value through profit or loss	$ 2,409	$ 1,854	$ 3,308
Financial assets designated measured at fair value through profit or loss	499	-	-
	$ 2,908	$ 1,854	$ 3,308
Financial assets/loans and receivables measured at amortized cost			
Cash and cash equivalents	$ 1,367,944	$ 1,313,073	$ 1,227,168
Notes receivable	368	-	-
Accounts receivable	2,695,161	2,140,291	1,772,380
Other receivables	133,243	190,803	115,074
Refundable deposits	4,948	5,294	5,334
	$ 4,201,664	$ 3,649,461	$ 3,119,956
Financial Liabilities			
Financial Liabilities at fair value through profit or loss			
Financial liabilities mandatorily measured at Fair Value through profit or loss	$ -	$ -	$ 1,094
Financial liabilities designated measured at fair value through profit or loss	-	5,500	-
	$ -	$ 5,500	$ 1,094
Financial liabilities measured at amortized cost			
Short-term loans	$ 1,597,860	$ 1,077,264	$ 1,048,399
Short-term notes and bills payable	79,966	-	-
Accounts payable	1,277,378	1,010,680	1,038,445
Other accounts payable	1,379,687	931,344	1,268,614
Corporate bonds payable (including maturity within one year or one operating cycle)	696,986	1,207,520	234,916
Long-term borrowings (including maturity within one year or one operating cycle)	-	10,000	60,000
	$ 5,031,877	$ 4,236,808	$ 3,650,374
Lease liabilities (current and non-current)	$ 376,046	$ -	$ -

(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)	Foreign currency (in thousands)	Exchange rate	Carrying Amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
	June 30, 2019			Sensitivity Analysis		
Financial assets						
Monetary items						
USD: RMB	$ 12,702	6.8747	$ 394,525	5%	$ 19,726	$ -
RMB:USD	45	0.1455	201	5%	10	-
Financial liabilities						
Monetary items						
USD: RMB	$ 3,219	6.8747	$ 99,973	5%	$ 4,999	$ -
NTD: USD	821,110	0.0322	821,110	5%	41,056	-

(Foreign currency: functional currency)	Foreign currency (in thousands)	Exchange rate	Carrying Amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
	December 31, 2018			Sensitivity Analysis		
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)	June 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
Financial assets									
Monetary items									
USD: RMB	$	2,723	6.6318	$	82,809	5%	$	4,140	$ -
RMB:USD		27,571	0.1508		126,632	5%		6,332	-
Financial liabilities									
Monetary items									
USD: RMB	$	5,270	6.6318	$	160,288	5%	$	8,014	$ -
NTD: USD		612,122	0.0328		612,122	5%		30,606	-

iv. The Group's monetary items have a significant influence on the recognized exchange gains and losses from April 1 to June 30, 2019 and 2018, and January 1 to June 30, 2019 and 2018 due to exchange rate fluctuation (including realized and unrealized), the aggregate amount is gain of $59,597, $120,985, $14,784 and $28,494, 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 June 30, 2019 and 2018 would increase or decrease by $120 and $165 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 June 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 June 30, 2019 and 2018 will be decreased or increased by $638 and $441 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 June 30, 2019, December 31, 2018 and June 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 June 30, 2019, December 31, 2018 and June 30, 2018 was as follows:

June 30, 2019	Expected loss rate	Total carrying amount	Loss allowance
Not past due	0.00%	$ 2,437,728	$ -
0 to 90 days past due	0.37%	247,480	919
91 to 180 days past due	15.51%	8,144	1,263
181 to 365 days past due	30.96%	6,314	1,955
Past due over 365 days	100.00%	1,809	1,809
		$ 2,701,475	$ 5,946

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

June 30, 2018	Expected loss rate	Total carrying amount	Loss allowance
Not past due	0.00%	$ 1,668,559	$ -
0 to 90 days past due	0.99%	104,333	1,033
91 to 180 days past due	19.77%	531	105
181 to 365 days past due	94.63%	1,770	1,675
Past due over 365 days	100.00%	888	888
		$ 1,776,081	$ 3,701

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

	2019	2018
	Account receivable	Account receivable
January 1	$ 3,630	$ 2,749
Allowance for Impairment loss (reversal)	2,296	867
Effect of Exchange	20	85
June 30	$ 5,946	$ 3,701

(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 June 30 2019, December 31 2018 and June 30 2018, the Group has unused borrowing facilities of $1,834,680, $2,332,099 and $2,358,858, 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: June 30, 2019	Less than 6months	7 to 12 months	1 to 2 years	2 to 5 years	More than 5 Years
Short-term loans	$ 1,602,705	$ 409	$ -	$ -	$ -
Short-term bills payable	80,000	-	-	-	-
Accounts payable	1,277,378	-	-	-	-
Other payables	1,304,662	64,446	10,579	-	-
Corporate bonds payables	-	-	-	714,000	-
Lease liabilities	18,201	17,848	35,024	82,886	265,591

Non-derivative financial liabilities: Dec. 31, 2018	Less than 6months	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	-	-

Non-derivative financial liabilities: June 30, 2018	Less than 6months	7 to 12 months	1 to 2 years	2 to 5 years	More than 5 Years
Short-term loans	$ 914,527	$ 136,915	$ -	$ -	$ -
Accounts payable	1,038,445	-	-	-	-
Other payables	1,197,918	65,179	5,458	59	-
Corporate bonds payables	1,579	236,021	-	-	-
Long-term loans	-	-	61,617	-	-

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:

	June 30, 2019	
	Carrying amount	Fair Value Level 3
Corporate bonds payable	$ 696,986	$ 861,387

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

	June 30, 2018	
	Carrying amount	Fair Value Level 3
Corporate bonds payable	$ 234,916	$ 235,751

(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:

June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Recurring fair value				
Financial assets (liabilities) measured at fair value through profit or loss				
-Stocks of listed companies	$ 2,409	$ -	$ -	$ 2,409
-Redemption right of convertible corporate bonds	-	-	499	499
Total	$ 2,409	$ -	$ 499	$ 2,908

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

June 30, 2018	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets (liabilities) measured at fair value through profit or loss				
-Stocks of listed companies	$ -	($ 1,904)	$ -	($ 1,904)
-Redemption right of convertible corporate bonds	3,308	-	-	3,308
Total	$ 3,308	($ 1,094)	$ -	$ 2,214

(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.

(5) Between January 1 to June 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 June 30, 2019 and 2018 for Level 3:

	2019	2018
January 1	Non-derivative equity instruments	Non-derivative equity instruments
Gain or loss on the recognized profit or loss (Note)	($ 5,500)	$ 327
Transferred in the period	6,065	(315)
June 30	(66)	(12)
Note: Recognized in other gains and losses.	$ 499	$ -

(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 June 30, 2019	Evaluation techniques	Significant unobservable input values	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	$ 499	Binomial Tree Evaluation Model	Volatility	26.57%	The higher the volatility, the higher the fair value

	Fair value as of Dec. 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 June 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	21.39%	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:

			June 30, 2019	
			Recognized in Profit or Loss	
	Input value	Change	Favorable change	Unfavorable change
Financial liabilities Hybrid instruments	Volatility	±5%	$ 643	($ 214)

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

			December 31, 2018	
			Recognized in Profit or Loss	
	Input value	Change	Favorable change	Unfavorable change
Financial liabilities Hybrid instruments	Volatility	±5%	$ 48	$ -

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. <u>Operating Segment Information</u>

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:

	Three Months Ended June 30, 2019			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 3,346,607	$ 7,657	$ 81	$ 3,354,345
Inter-segment revenue	2,388,042	285,543	340	2,673,925
Total revenue	$ 5,734,649	$ 293,200	$ 421	$ 6,028,270
Segment profit (loss)	$ 311,349	$ 23,008	$ 294,372	$ 628,729
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

	Three Months Ended June 30, 2018			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 2,609,174	$ 12,625	$ 264	$ 2,622,063
Inter-segment revenue	1,986,895	171,474	325	2,158,694
Total revenue	$ 4,596,069	$ 184,099	$ 589	$ 4,780,757
Segment profit (loss)	$ 260,712	$ 13,954	$ 232,779	$ 507,445
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

	Six Months Ended June 30, 2019			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 5,912,790	$ 19,114	$ 84	$ 5,931,988
Inter-segment revenue	4,163,058	579,170	676	4,742,904
Total revenue	$ 10,075,848	$ 598,284	$ 760	$ 10,674,892
Segment profit (loss)	$ 529,850	$ 39,850	$ 495,330	$ 1,065,030
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

	Six Months Ended June 30, 2018			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 4,754,927	$ 28,913	$ 901	$ 4,784,741
Inter-segment revenue	3,658,472	295,846	700	3,955,018
Total revenue	$ 8,413,399	$ 324,759	$ 1,601	$ 8,739,759
Segment profit (loss)	$ 377,690	$ 11,245	$ 322,174	$ 711,109
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:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Revenue after adjustment from reportable operating segments	$ 6,027,849	$ 4,780,168
Revenue after adjustment from other operating segments	421	589
Total income before tax from operating segments	6,028,270	4,780,757
Elimination of intersegment revenue	(2,673,925)	(2,158,694)
Total consolidated operating revenue	$ 3,354,345	$ 2,622,063

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenue after adjustment from reportable operating segments	$ 10,674,132	$ 8,738,158
Revenue after adjustment from other operating segments	760	1,601
Total income before tax from operating segments	10,674,892	8,739,759
Elimination of intersegment revenue	(4,742,904)	(3,955,018)
Total consolidated operating revenue	$ 5,931,988	$ 4,784,741

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

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018
Revenue after adjustment from reportable operating segments	$ 334,357	$ 274,666
Revenue after adjustment from other operating segments	294,372	232,779
Total income before tax from operating segments	628,729	507,445
Elimination of intersegment revenue	(291,671)	(226,148)
Total consolidated operating revenue	$ 337,058	$ 281,297

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Revenue after adjustment from reportable operating segments	$ 569,700	$ 388,935
Revenue after adjustment from other operating segments	495,330	322,174
Total income before tax from operating segments	1,065,030	711,109
Elimination of intersegment revenue	(484,357)	(322,940)
Total consolidated operating revenue	$ 580,673	$ 388,169

(Blank Below)

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

Loans to others

For the Six Months Ended June 30, 2019 and 2018

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	$ 465,910	$ -	1.80%	Short-term financing	$ -	Operating capital	$ -	None	$ -	$ 710,189	$ 887,736	

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 Q219, the exchange rates for assets and profit or loss were USD:NTD=31.06 and USD:NTD=30.9874, respectively.

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

Provision of endorsements and guarantees to others

For the Six Months Ended June 30, 2019 and 2018

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 June 30, 2019	Outstanding endorsement/ guarantee amount at June 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	$ 4,715,763	$ 79,000	$ 77,650	$ 62,120	$ -	1.08%	$ 6,287,684	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 Q219, the exchange rates for assets and profit or loss were USD:NTD=31.06 and USD:NTD=30.9874, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Holding of marketable securities (not including subsidiaries, associates and joint ventures)
June 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 December 31, 2018				Note
				Number of Shares	Book value	Ownership	Fair value	
Fulgent Sun International (Holding) Co., Ltd.	Stock – Tainan Enterprises (CAYMAN)	None	Financial Assets at Fair Value through Profit or Loss - Non-current	181,774	$ 2,409	0.61	$2,409	-

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 Six Months Ended June 30, 2019 and 2018

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

Table 4

			Transaction Details				Unusual trade conditions and its reasons		Notes and Accounts Receivable (Payable)		
Purchaser/Seller	Name of the Counterparty	Relationship with the counterparty	Purchase/Sale	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	Subsidiary	Purchase	1,136,047	0.23	180 days after purchase	Note 1	Note 1	(1,397,694)	(1.09)	Notes 2 and 3
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiary	Purchase	351,334	0.07	90 days after purchase	Note 1	Note 1	(223,337)	(0.17)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Purchase	1,000,474	0.20	120 days after purchase	Note 1	Note 1	-	-	Notes 2 and 3
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiary	Purchase	231,933	0.05	180 days after purchase	Note 1	Note 1	(232,477)	(0.18)	Notes 2 and 3
Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	Subsidiary	Purchase	183,630	0.04	180 days after purchase	Note 1	Note 1	(264,139)	(0.21)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sales	(321,474)	(0.05)	135 days after Sales	Note 1	Note 1	345,682	0.13	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sales	(227,836)	(0.04)	135 days after Sales	Note 1	Note 1	165,968	0.06	Notes 2 and 3
Fulgent Sun Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	Sales	(656,134)	(0.11)	120 days after billing	Note 1	Note 1	-	-	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	Sales	(279,336)	(0.05)	120 days after billing	Note 1	Note 1	184,062	0.07	Notes 2 and 3
Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sales	(116,485)	(0.02)	135 days after Sales	Note 1	Note 1	88,543	0.03	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 Q219, the exchange rates for assets and profit or loss were USD:NTD=31.06 and USD:NTD=30.9874, 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
June 30, 2019

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

Table 5

Creditor	Counterparty	Relationship with the counterparty	Balance as of June 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	$ 1,397,694	1.61	$ -	-	$ 322,708	$-	Notes 2 and 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	264,139	1.37	-	-	63,260	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	232,477	1.93	-	-	126,520	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	223,337	3.51	-	-	82,238	-	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	184,062	3.71	-	-	54,404	-	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	345,682	1.26	-	-	-	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	165,968	2.79	-	-	91,302	-	Notes 2 and 3

Note 1: The subsequent collections represent collections from the balance sheet date to August 8, 2019.
Note 2: In Q219, the exchange rates for assets and profit or loss were USD:NTD=31.06 and USD:NTD=30.9874, 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 Six Months Ended June 30, 2019 and 2018

In Thousands of New Taiwan Dollars
(Unless specified otherwise)

Table 6

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status: General Ledger Account	Transaction Status: Amount (Note 5)	Transaction Status: Trade terms	Transaction Status: Percentage of consolidated total operating revenues or total assets (Note 3)
0	Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	1	Other receivables	595,175	Note 4	0.05
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Accounts receivable	345,682	Note 4	0.03
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Accounts payable	1,397,694	Note 4	0.11
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Accounts payable	232,477	Note 4	0.02
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	264,139	Note 4	0.02
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Accounts payable	223,337	Note 4	0.02
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Sales	321,474	Note 4	0.05
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	1,136,047	Note 4	0.19
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Purchase	231,933	Note 4	0.04
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Purchase	183,630	Note 4	0.03
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Purchase	351,334	Note 4	0.06
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Purchase	1,000,474	Note 4	0.17
2	Fulgent Sun Footwear Co., Ltd.	Capital Concord Enterprises Limited	2	Sales	656,134	Note 4	0.11
3	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Accounts receivable	165,968	Note 4	0.01
3	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sales	227,836	Note 4	0.04
4	NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	2	Sales	279,336	Note 4	0.05
4	NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	2	Accounts receivable	184,062	Note 4	0.01

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

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

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

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

Note 5: In Q119 the exchange rates for assets and profit or loss were USD:NTD=31.06 and USD:NTD=30.9874, 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 Six Months Ended June 30, 2019 and 2018

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 June 30, 2019			Investee company current profit or loss (Note 3)	Investment gains and losses recognized in the current period (Note 3)	Note
				June 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	$ 7,859,605	$ 504,273	$ 504,273	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	1,874,471	243,813	243,813	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	220,080	(6,984)	(6,374)	Subsidiary
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Production of sports and outdoor shoes	685,699	566,107		100	763,745	4,100	4,100	Subsidiary
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Production of sports and outdoor shoes	1,043,786	876,428		100	995,496	17,203	17,203	Subsidiary
Capital Concord Enterprises Limited	Laya Outdoor Products Limited	Hong Kong	A holding company	40,449	24,731		100	40,765	(1,505)	(1,505)	Subsidiary
Capital Concord Enterprises Limited	Laya Max Trading Co., Ltd.	Taiwan	Distribution and import and export trade	12,395	12,395		100	17,327	79	(402)	Subsidiary
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	174,989	174,989		100	183,310	347	347	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 Q219, the exchange rates for assets and profit or loss were USD:NTD=31.06 and USD:NTD=30.9874, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Information on Investments in Mainland China
For the Six Months Ended June 30, 2019 and 2018

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 June 30, 2019 (Note 5)		Accumulated amount of remittance from Taiwan to Mainland China as of June 30, 2019(Note 5)	Net income (loss) of the investee for the six months ended June 30 , 2019	Ownership held by the Company (direct or indirect)	Investment income (loss) recognized for the six months ended June 30, 2019 (Note 4)	Book value of investments in Mainland China as of June 30, 2019 (Note 4)	Accumulated amount of investment income remitted back to Taiwan as of June 30, 2019	Note
					Remitted to Mainland China	Remitted back to Taiwan							
Fujian Sunshine Footwear Co., Ltd.	Production and sale of sports and outdoor shoes	$ 723,826	2	$ -	$-	$-	$ -	$ 56,833	100	83,805	$2,105,832	$ -	Note 1
Hubei Sunsmile Footwear Co., Ltd.	Production and sale of sports and outdoor shoes	1,825,033	2	-	-	-	-	9,070	100	11,227	1,769,109	-	
Sunny Footwear Co., Ltd.	Production and sale of sports and outdoor shoes	130,680	2	-	-	-	-	6,401	100	6,401	592,351	-	
Fujian Laya Outdoor Products Co., Ltd.	Distribution and import and export trade	40,656	2	-	-	-	-	31,835	100	23,462	187,077	-	
Fujian La Sportiva Co., Ltd.	Distribution and import and export trade	67,148	2	-	-	-	-	(2,430)	60	(1,458)	24,097	-	

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 Q219, the exchange rates for assets and profit or loss were USD:NTD=31.06 and USD:NTD=30.9874, 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.