

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Financial Statements
With Independent Auditors' Review Report
For the Six Months Ended June 30, 2020 and 2019
(Stock Code: 9802)

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Independent Auditors' Review Report

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

Introduction

We have reviewed the accompanying consolidated balance sheet of Fulgent Sun International (Holding) Co., Ltd. and its subsidiaries (collectively, the "Group") as of June 30, 2020 and 2019, the consolidated statements of comprehensive income for the three months and six months ended June 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the six months then ended, and the related notes to the consolidated financial statements, including a summary of significant accounting policies. Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

Scope of Review

We conducted our reviews in accordance with the Statement of Auditing Standards No. 65 "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our reviews, nothing has come to our attention that caused us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as of June 30, 2020 and 2019, and of its consolidated financial performance for the three months ended June 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the six months then ended in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and International Accounting Standard 34 "Interim Financial Reporting" endorsed and issued into effect by Financial Supervisory Commission of the Republic of China.

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

PricewaterhouseCoopers
Taipei, Taiwan
Republic of China

August 6, 2020

Notes to Readers

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

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

(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, 2020 and 2019

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
 Consolidated Balance Sheets (CONT'D)
 June 30, 2020, December 31, 2019, and June 30, 2019
 (Expressed in Thousands of New Taiwan Dollars)

Assets			June 30, 2020		December 31, 2019		June 30, 2019	
			Amount	%	Amount	%	Amount	%
Current assets								
1100	Cash and cash equivalents	6 (A)	\$ 1,423,462	10	\$ 1,373,474	10	\$ 1,367,944	11
1150	Notes receivable, net	6 (C)	-	-	-	-	368	-
1170	Accounts receivable, net	6 (C)	2,255,326	17	2,329,423	18	2,695,161	21
1200	Other receivables		137,176	1	222,416	2	133,243	1
130X	Inventories	6 (D)	2,399,974	18	2,142,441	16	2,270,157	17
1410	Prepayments		87,912	1	103,763	1	83,961	1
1470	Other current assets	6 (G) and 8	100,041	1	98,000	1	33,877	-
11XX	Total current assets		6,403,891	48	6,269,517	48	6,584,711	51
Non-current assets								
1510	Financial assets at fair value through profit or loss-non-current	6 (B)	3,808	-	4,654	-	2,908	-
1600	Property, plant and equipment	6 (E) and 8	5,815,994	43	5,727,356	44	5,363,440	42
1755	Right-of-use assets	6 (F)	889,091	7	775,909	6	802,648	6
1780	Intangible assets		15,050	-	16,242	-	15,712	-
1840	Deferred income tax assets	6 (V)	57,909	-	55,020	1	55,283	-
1900	Other non-current assets	6 (G) and 8	215,300	2	140,469	1	121,914	1
15XX	Total non-current assets		6,997,152	52	6,719,650	52	6,361,905	49
1XXX	Total assets		\$ 13,401,043	100	\$ 12,989,167	100	\$ 12,946,616	100

(Continued)

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
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As of June 30, 2020 and 2019

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

Consolidated Balance Sheets (CONT'D)

June 30, 2020, December 31, 2019, and June 30, 2019

(Expressed in Thousands of New Taiwan Dollars)

Liabilities and Equity		Note	June 30, 2020		December 31, 2019		June 30, 2019	
			Amount	%	Amount	%	Amount	%
Current liabilities								
2100	Short-term loans	6 (H) and 8	\$ 1,745,570	13	\$ 1,669,050	13	\$ 1,597,860	12
2110	Short-term notes payable		69,995	1	-	-	79,966	1
2130	Contract liabilities-current	6 (P)	21,162	-	28,538	-	9,446	-
2150	Notes payable		3,963	-	-	-	-	-
2170	Accounts payable		1,358,920	10	1,393,220	11	1,277,378	10
2200	Other payables	6 (I)	1,754,420	13	880,558	7	1,379,687	11
2230	Current income tax liabilities	6 (V)	67,066	1	85,281	-	69,642	-
2280	Lease liabilities-current		49,890	-	29,073	-	31,360	-
2300	Other current liabilities		13,910	-	12,446	-	23,137	-
21XX	Total current liabilities		5,084,896	38	4,098,166	31	4,468,476	34
Non-Current liabilities:								
2530	Corporate bonds payable	6 (J)	49,629	-	69,780	-	696,986	5
2570	Deferred income tax liabilities	6 (V)	2,615	-	1,981	-	913	-
2580	Lease liabilities-non-current		430,459	3	333,188	3	344,686	3
2600	Other non-current liabilities	6 (K)	205,232	2	212,342	2	224,703	2
25XX	Total non-current liabilities		687,935	5	617,291	5	1,267,288	10
2XXX	Total liabilities		5,772,831	43	4,715,457	36	5,735,764	44
Equity attributable to owners of the parent company								
Share capital		6 (M)						
3110	Capital of common stock		1,751,620	13	1,747,566	14	1,622,246	13
Capital surplus		6 (N)						
3200	Capital surplus		4,476,052	33	4,459,672	34	3,956,637	30
Retained earnings		6 (O)						
3310	Legal capital reserve		549,075	4	421,155	3	421,155	3
3320	Special capital reserve		683,175	5	420,541	3	420,541	3
3350	Undistributed earnings		1,035,914	8	1,863,461	15	1,086,280	9
Other equity								
3400	Other equity	(	852,629)	(6)	(683,175)	(5)	(343,564)	(3)
3500	Treasury Stock	6 (M)	(57,583)	-	-	-	-	-
31XX	Equity attributable to owners of the parent company		7,585,624	57	8,229,220	64	7,163,295	55
36XX	Non-controlling interests		42,588	-	44,490	-	47,557	1
3XXX	Total Equity		7,628,212	57	8,273,710	64	7,210,852	56
Significant contingent liabilities and unrecognized contractual commitments		9						
Significant events after the reporting period		11						
3X2X	Total liabilities and equity		\$ 13,401,043	100	\$ 12,989,167	100	\$ 12,946,616	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 six months ended June 30, 2020 and 2019
 (Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Common Share)

Item	Note	From April 1 to June 30, 2020		From April 1 to June 30, 2019		From January 1 to June 30, 2020		From January 1 to June 30, 2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	6(P)	\$ 2,376,331	100	\$ 3,354,345	100	\$ 5,149,195	100	\$ 5,931,988	100
5000 Operating costs	6(D)	(1,903,177)	(80)	(2,819,869)	(84)	(4,015,633)	(78)	(4,891,676)	(82)
5950 Net gross profit from operations		<u>473,154</u>	<u>20</u>	<u>534,476</u>	<u>16</u>	<u>1,133,562</u>	<u>22</u>	<u>1,040,312</u>	<u>18</u>
Operating expenses	6(U)								
6100 Selling expenses		(46,218)	(2)	(45,444)	(1)	(112,137)	(2)	(89,631)	(1)
6200 Administrative expenses		(152,190)	(6)	(168,417)	(5)	(349,736)	(7)	(337,324)	(6)
6300 Research & Development expenses		(42,336)	(2)	(34,730)	(1)	(82,901)	(1)	(65,103)	(1)
6000 Total operating expenses		<u>(240,744)</u>	<u>(10)</u>	<u>(248,591)</u>	<u>(7)</u>	<u>(544,774)</u>	<u>(10)</u>	<u>(492,058)</u>	<u>(8)</u>
6900 Operating income		<u>232,410</u>	<u>10</u>	<u>285,885</u>	<u>9</u>	<u>588,788</u>	<u>12</u>	<u>548,254</u>	<u>9</u>
Non-operating income and expenses									
7100 Interest income	6(Q)	2,325	-	2,612	-	5,046	-	5,154	-
7010 Other income	6(R)	14,330	1	2,301	-	30,384	-	32,228	1
7020 Other gains and losses	6(S)	(35,456)	(2)	56,702	2	1,288	-	13,663	-
7050 Finance costs	6(T)	(7,139)	-	(10,442)	-	(14,382)	-	(18,626)	-
7000 Total non-operating income and expenses		<u>(25,940)</u>	<u>(1)</u>	<u>51,173</u>	<u>2</u>	<u>22,336</u>	<u>-</u>	<u>32,419</u>	<u>1</u>
7900 Profit before tax		<u>206,470</u>	<u>9</u>	<u>337,058</u>	<u>10</u>	<u>611,124</u>	<u>12</u>	<u>580,673</u>	<u>10</u>
7950 Income tax expenses	6(V)	(35,060)	(2)	(41,394)	(1)	(86,094)	(2)	(80,242)	(1)
8200 Profit		<u>\$ 171,410</u>	<u>7</u>	<u>\$ 295,664</u>	<u>9</u>	<u>\$ 525,030</u>	<u>10</u>	<u>\$ 500,431</u>	<u>9</u>
Other comprehensive income (net)									
Items that may be reclassified subsequently to profit or loss									
8361 Exchange differences on translation of foreign operations		(\$ 109,840)	(4)	(\$ 39,594)	(1)	(\$ 170,320)	(3)	(\$ 77,104)	(1)
8300 Other comprehensive income (loss), net		<u>(\$ 109,840)</u>	<u>(4)</u>	<u>(\$ 39,594)</u>	<u>(1)</u>	<u>(\$ 170,320)</u>	<u>(3)</u>	<u>(\$ 77,104)</u>	<u>(1)</u>
8500 Total comprehensive income(loss)		<u>\$ 61,570</u>	<u>3</u>	<u>\$ 256,070</u>	<u>8</u>	<u>\$ 354,710</u>	<u>7</u>	<u>\$ 577,535</u>	<u>10</u>
Net income(loss) attributable to:									
8610 Shareholders of the parent company		<u>\$ 171,923</u>	<u>7</u>	<u>\$ 296,708</u>	<u>9</u>	<u>\$ 526,066</u>	<u>10</u>	<u>\$ 502,014</u>	<u>9</u>
8620 Non-controlling interests		<u>(\$ 513)</u>	<u>-</u>	<u>(\$ 1,044)</u>	<u>-</u>	<u>(\$ 1,036)</u>	<u>-</u>	<u>(\$ 1,583)</u>	<u>-</u>
Total comprehensive income(loss) attributable to:									
8710 Shareholders of the parent company		<u>\$ 62,832</u>	<u>3</u>	<u>\$ 257,467</u>	<u>8</u>	<u>\$ 356,612</u>	<u>7</u>	<u>\$ 578,991</u>	<u>10</u>
8720 Non-controlling interests		<u>(\$ 1,262)</u>	<u>-</u>	<u>(\$ 1,397)</u>	<u>-</u>	<u>(\$ 1,902)</u>	<u>-</u>	<u>(\$ 1,456)</u>	<u>-</u>
Earnings per share	6(W)								
9750 Basic earnings per share total		<u>\$ 0.99</u>		<u>\$ 1.85</u>		<u>\$ 3.01</u>		<u>\$ 3.21</u>	
Diluted earnings per share									
9850 Diluted earnings per share total		<u>\$ 0.98</u>		<u>\$ 1.72</u>		<u>\$ 2.99</u>		<u>\$ 2.99</u>	

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

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

Reviewed only, not audited in accordance with the 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, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

		Attributable to owners of the parent company										
		Share capital			Retained earnings			Exchange differences on translation of foreign financial statements	Treasury stock	Total	Non-controlling interests	Total Equity
Note		Capital of common stock	Capital collected in advance	Capital surplus	Legal capital reserve	Special capital reserve	Undistributed earnings					
Balance at January 1, 2019		\$ 1,462,735	\$ 65,886	\$ 3,377,120	\$346,855	\$446,134	\$ 1,221,151	(\$ 420,541)	\$ -	\$ 6,499,340	\$ 38,276	\$ 6,537,616
Profit for the year		-	-	-	-	-	502,014	-	-	502,014	(1,583)	500,431
Other comprehensive income		-	-	-	-	-	-	76,977	-	76,977	127	77,104
Total comprehensive income(loss)		-	-	-	-	-	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(M)(N)	60,000	(65,886)	168,427	-	-	-	-	-	162,541	-	162,541
Common stock converted from convertible corporate bonds	6(J)(X)	99,511	-	411,090	-	-	-	-	-	510,601	-	510,601
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	10,737	10,737
Balance at 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
Balance at January 1, 2020		\$ 1,747,566	\$ -	\$ 4,459,672	\$421,155	\$420,541	\$ 1,863,461	(\$ 683,175)	\$ -	\$ 8,229,220	\$ 44,490	\$ 8,273,710
Profit for the year		-	-	-	-	-	526,066	-	-	526,066	(1,036)	525,030
Other comprehensive income		-	-	-	-	-	-	(169,454)	-	(169,454)	(866)	(170,320)
Total comprehensive income(loss)		-	-	-	-	-	526,066	(169,454)	-	356,612	(1,902)	354,710
Appropriations of earnings												
Legal capital reserve		-	-	-	127,920	-	(127,920)	-	-	-	-	-
Special capital reserve		-	-	-	-	262,634	(262,634)	-	-	-	-	-
Cash dividends to shareholders		-	-	-	-	-	(963,059)	-	-	(963,059)	-	(963,059)
Common stock converted from convertible corporate bonds	6(J)(X)	4,054	-	16,380	-	-	-	-	-	20,434	-	20,434
Treasury stocks buyback	6(M)	-	-	-	-	-	-	-	(57,583)	(57,583)	-	(57,583)
Balance at June 30, 2020		\$ 1,751,620	\$ -	\$ 4,476,052	\$549,075	\$683,175	\$ 1,035,914	(\$ 852,629)	(\$ 57,583)	\$ 7,585,624	\$ 42,588	\$ 7,628,212

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, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	Note	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 611,124	\$ 580,673
Adjustments			
Adjustments to reconcile profit and loss			
Net (gain) loss on financial assets and liabilities measured at fair value through profit and loss	6(B)(S)	830	(6,620)
Depreciation expense	6(E)(F)(U)	332,051	300,395
Amortization expense	6(U)	23,767	17,050
Expected credit loss provision	12(B)	5,073	2,296
Loss on disposal or retirement of property, plant and equipment	6(S)	6,751	795
Interest income	6(Q)	(5,046)	(5,154)
Interest expenses	6(T)	14,382	18,626
Changes in operating assets and liabilities			
Net changes in operating assets			
Notes receivable		-	(368)
Accounts receivable		38,012	(533,365)
Other receivables		81,295	59,236
Inventories	(	291,699)	(387,199)
Prepayments		14,295	(7,738)
Other current assets	(	3,991)	(14,946)
Net changes in operating liabilities			
Contract liability	(	7,004)	(18,481)
Notes payable		3,963	-
Accounts payable	(	6,302)	255,948
Other payables	(	68,603)	(71,012)
Other current liabilities		1,716	9,326
Other non-current liabilities	(	1,487)	(1,603)
Cash inflows generated from operating activities		749,127	197,859
Interest received		4,882	5,338
Interest paid	(	11,561)	(10,927)
Income tax paid	(	104,929)	(83,647)
Net cash generated from operating activities		637,519	108,623

(Continued)

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Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows (CONT'D)
For the six months ended June 30, 2020 and 2019
(Expressed in Thousands of New Taiwan Dollars)

	<u>Note</u>	<u>For the Six Months Ended June 30, 2020</u>	<u>For the Six Months Ended June 30, 2019</u>
<u>Cash flows from investing activities</u>			
Decrease in other financial assets		\$ 637	\$ -
Acquisition of property, plant and equipment	6(X)	(633,383)	(741,877)
Disposal of property, plant and equipment		758	4,358
Acquiring right- of- use assets	6(F)	-	(23,938)
Acquiring intangible assets		(768)	(311)
Increase in other non-current assets		(27,392)	(23,051)
(Increase) decrease in refundable deposits		(185)	403
Net cash used in investing activities		(660,333)	(784,416)
<u>Cash flows from financing activities</u>			
Increase in short-term loans		96,449	508,569
Increase in short-term notes payable		69,995	79,966
Repayment of long-term loans		-	(10,112)
Lease principal repayment	6(F)	(25,681)	(25,204)
Redemption of convertible corporate bonds	6(J)	-	(5,300)
Capital increase by cash	6(M)	-	165,114
Treasury stocks buyback cost	6(M)	(57,583)	-
Increase (decrease) in non-controlling interests		-	10,737
Net cash generated from financing activities		83,180	723,770
Effect of exchange rate changes		(10,378)	6,894
Net increase in cash and cash equivalents		49,988	54,871
Cash and cash equivalents at beginning of period		1,373,474	1,313,073
Cash and cash equivalents at end of period		\$ 1,423,462	\$ 1,367,944

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
June 30, 2020 and 2019
(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 6, 2020.

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 2020:

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date set by IASB</u>
Amendments to IAS 1 and IAS 8 "Disclosure Initiative-Definition of Material"	January 1, 2020
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020
Amendment to IFRS 16 "Covid-19-Related Rent Concessions"	June 1, 2020

The group has assessed the above criteria and explanations as having no significant impact on the financial position and financial performance of the group.

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

None.

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
Amendments to IFRS 4 “Extension of the Temporary Exemption from Applying IFRS 9”	January 1, 2021
Amendments to IFRS 3 “Reference to the Conceptual Framework”	January 1, 2022
Amendments to IFRS 10 and IAS 28 “Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures”	To be determined by IASB
IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IFRS 17 “Insurance Contracts”	January 1, 2023
Amendments to IAS 1 “Liabilities are classified as current or non-current”	January 1, 2023
Amendments to IAS 16 “Property, Plant and Equipment - Proceeds before Intended Use”	January 1, 2022
Amendments to IAS 37 “Onerous Contracts—Cost of Fulfilling a Contract”	January 1, 2022
Annual Improvements to IFRS Standards 2018-2020	January 1, 2022

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

4. Summary of Significant Accounting Policies

The significant accounting policies are the same as Note 4 of the 2019 consolidated financial statements except for the statement of compliance, basis of preparation, basis of consolidation and newly added parts are explained below. These policies apply consistently during all reporting periods, unless otherwise specified.

A. Statement of Compliance

- (1) These consolidated financial statements have been prepared in accordance with the revised Regulations Governing the Preparation of Financial Reports by Securities Issuers in the Republic of China, and guideline of IAS 34 “Interim Financial Reporting” which are endorsed and issued into effect by FSC.
- (2) The consolidated financial statements should be read with 2019 consolidated financial statements.

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 measured at fair value.
- (2) The preparation of financial reports conforming to the International Financial Reporting Standards, International Accounting Standards (IAS), IFRICs Interpretations and SICs Interpretations (hereinafter referred to “IFRSs”) recognized by the Financial Supervisory Commission (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 preparing the consolidated financial statements are the same as those for the 2019 consolidated financial statements.

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

Name of Investor	Name of Subsidiary	Nature of business	Percentage of ownership		
			June 30, 2020	December 31, 2019	June 30, 2019
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 H.K.	Fujian Laya Outdoor Products Co., Ltd. (Fujian Laya Co., Ltd.)	Distribution Agent and Import and Export Trade	100	100	100
Capital Concord Enterprises Limited H.K.	Laya Max Trading Co., Ltd. (Taiwan Laya)	Distribution Agent and Import and Export Trade	100	100	100
Capital Concord Enterprises Limited H.K.	Hong Kong Laya Outdoor Products (Hong Kong Laya)	Holding company	100	100	100
Capital Concord Enterprises Limited H.K.	Fujian Sunshine Footwear Co., Ltd. (Sunshine)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited H.K.	Sunny Footwear Co., Ltd. (Sunny)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited H.K.	Hubei Sunsmile Footwear Co., Ltd. (Sunsmile)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited H.K.	Fulgent Sun Footwear Co., Ltd. (Fulgent Sun)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited H.K.	Lin Wen Chih Sunbow Enterprises Co., Ltd. (Sunbow)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited H.K.	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd. (Sunstone)	Processing and Sale of Clothing	91.27	91.27	91.27
Capital Concord Enterprises Limited H.K.	NGOC Hung Footwear Co., Ltd. (NGOC HUNG)	Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd. (Sunlit)	Land lease	100	100	100
Hong Kong Laya Outdoor Products	Fujian La Sportiva Co., Ltd. (La Sportiva)	Distribution Agent and Import and Export Trade	60	60	60

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

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

(5) Major Restrictors: None.

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

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

There are no significant changes in this period, please refer to Note 5 of 2019 consolidated financial statements.

6. Explanation of Significant Accounts

A. Cash and cash equivalents

	June 30, 2020	December 31, 2019	June 30, 2019
Cash on hand and revolving funds	\$ 6,046	\$ 6,644	\$ 4,075
Checking deposits & demand deposits	999,747	1,055,034	1,235,564
Time deposits	417,669	311,796	128,305
Total	<u>\$ 1,423,462</u>	<u>\$ 1,373,474</u>	<u>\$ 1,367,944</u>

- (1) The Group deals with several financial institutions to distract credit risk and those financial institutions are with good credit. Therefore, the possibility of default is unlikely to happen.
- (2) For the time deposits whose original maturity is more than 3 months and which is not for short-term cash commitments, the Group classified them under "Other Current Assets". As of June 30, 2020, December 31, 2019 and June 30, 2019, the amounts were \$41,910, \$43,050 and \$0, respectively.
- (3) For the restricted bank deposits, please refer to note 6 (G) for the details.

B. Financial Asset at Fair Value through Profit or Loss

Item	June 30, 2020	December 31, 2019	June 30, 2019
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
- Listed company stock	\$ 3,672	\$ 4,626	\$ 2,409
- Convertible corporate bond redemption and sale rights	136	28	499
Total	<u>\$ 3,808</u>	<u>\$ 4,654</u>	<u>\$ 2,908</u>

- (1) The convertible corporate bonds that the Group held the right to redeem and sell for the three months ended June 30, 2020 and 2019, with recognized gains and (losses) were \$(47) and \$674, respectively. For the six months ended June 30, 2020 and 2019, with recognized gains and (losses) were \$124 and \$6,065, respectively.
- (2) The shares of listed OTC companies that the Group held for the three months ended June 30, 2020 and 2019, with recognized gains and (losses) were \$564 and \$91, respectively. For the six months ended June 30, 2020 and 2019, with recognized gains and (losses) were \$(954) and \$555, respectively.
- (3) The Group has not pledged financial assets to be measured at fair value through gains and losses

C. Notes and Accounts Receivable, Net

	June 30, 2020	December 31, 2019	June 30, 2019
Notes receivable	\$ -	\$ -	\$ 368
Accounts receivable	\$ 2,268,855	\$ 2,338,138	\$ 2,701,107
Less: Allowance for impairment	(13,529)	(8,715)	(5,946)
	<u>\$ 2,255,326</u>	<u>\$ 2,329,423</u>	<u>\$ 2,695,161</u>

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

	June 30, 2020	December 31, 2019	June 30, 2019
Current	\$ 1,818,330	\$ 2,265,039	\$ 2,437,728
Overdue 0 to 90 days	387,649	63,904	247,480
Overdue 91 to 180 days	54,071	553	8,144
Overdue 181 to 365 days	1,564	1,805	6,314
Over 365 days past due	7,241	6,837	1,809
Total	<u>\$ 2,268,855</u>	<u>\$ 2,338,138</u>	<u>\$ 2,701,475</u>

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

- (2) The balance of accounts receivable and notes receivable of June 30, 2020, December 31, 2019 and June 30, 2019 were generated by the customer contract. The balance of accounts receivable from the customer contract as of January 1, 2019 was \$2,140,291.
- (3) The Group's notes and accounts receivables are best represented on June 30, 2020, December 31, 2019 and June 30, 2019 regardless of the collateral or other credit enhancements held. The risk exposure amount of the maximum credit risk is the book value of each type of notes and accounts receivables.
- (4) For relevant credit risk information, please refer to Note 12(B).

D. Inventories

June 30, 2020			
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 66,731	(\$ 13,106)	\$ 53,625
Raw material	686,327	(47,368)	638,959
Work in process	544,420	(12,069)	532,351
Finished goods	967,226	(19,290)	947,936
Inventory in-transit	227,103	-	227,103
Total	<u>\$ 2,491,807</u>	<u>(\$ 91,833)</u>	<u>\$ 2,399,974</u>

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

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
Inventory in-transit	369,438	-	369,438
Total	<u>\$ 2,346,244</u>	<u>(\$ 76,087)</u>	<u>\$ 2,270,157</u>

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

Item	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019
Inventory cost sold	\$ 1,901,451	\$ 2,841,971
Inventory valuation gain	(694)	(21,019)
Inventory scrap loss	69	99
Stock gain	(1,537)	(1,019)
Recognized as expenses	(775)	(581)
Effect of exchange rate changes	4,663	418
	<u>\$ 1,903,177</u>	<u>\$ 2,819,869</u>

Item	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Inventory cost sold	\$ 4,011,833	\$ 4,901,467
Inventory valuation loss (gain)	7,162	(8,665)
Inventory scrap loss	69	192
Stock (gain) loss	(3,837)	630
Recognized as expenses	(1,325)	(1,069)
Effect of exchange rate changes	1,731	(879)
	<u>\$ 4,015,633</u>	<u>\$ 4,891,676</u>

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, 2020 and 2019.

E. Property, Plant and Equipment

For the Six Months Ended June 30, 2020

Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 294,826	\$ 622	\$ -	\$ 3,061	(\$ 3,442)	\$ 295,067
Buildings	3,536,434	101,586	(17,987)	421,353	(65,188)	3,976,198
Machinery equipment	3,066,318	128,520	(69,794)	97,713	(55,614)	3,167,143
Transportation equipment	98,181	10,787	-	(25,912)	(1,616)	81,440
Office equipment	41,732	2,066	(3,829)	1,000	(858)	40,111
Others	1,315,524	94,007	(52,661)	63,742	(22,375)	1,398,237
Construction in progress and to-be-inspected equipment	630,715	71,640	-	(479,205)	(7,891)	215,259
	<u>\$ 8,983,730</u>	<u>\$ 409,228</u>	<u>(\$ 144,271)</u>	<u>\$ 81,752</u>	<u>(\$ 156,984)</u>	<u>\$ 9,173,455</u>
Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Buildings	(\$ 1,002,398)	(\$ 81,139)	\$ 14,329	\$ -	\$ 23,554	(\$ 1,045,654)
Machinery equipment	(1,328,739)	(121,108)	68,187	-	30,800	(1,350,860)
Transportation equipment	(59,332)	(3,093)	-	9,888	1,097	(51,440)
Office equipment	(35,106)	(1,394)	3,810	-	787	(31,903)
Others	(830,799)	(103,944)	50,436	(9,888)	16,591	(877,604)
	<u>(\$ 3,256,374)</u>	<u>(\$ 310,678)</u>	<u>\$ 136,762</u>	<u>\$ -</u>	<u>\$ 72,829</u>	<u>(\$ 3,357,461)</u>
	<u>\$ 5,727,356</u>					<u>\$ 5,815,994</u>

For the Six Months Ended June 30, 2019						
Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 302,054	\$ -	\$ -	\$ -	\$ 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
Others	1,188,306	46,437	(16,987)	40,120	12,891	1,270,767
Construction in progress and to-be-inspected equipment	521,341	321,551	-	(296,963)	5,495	551,424
	<u>\$ 7,842,732</u>	<u>\$ 630,033</u>	<u>(\$ 42,913)</u>	<u>\$ 35,185</u>	<u>\$ 80,630</u>	<u>\$ 8,545,667</u>
Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Buildings	(\$ 887,467)	(\$ 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)
Others	(702,665)	(90,416)	16,982	-	(7,487)	(783,586)
	<u>(\$ 2,912,463)</u>	<u>(\$ 278,425)</u>	<u>\$ 37,760</u>	<u>\$ -</u>	<u>(\$ 29,099)</u>	<u>(\$ 3,182,227)</u>
	<u>\$ 4,930,269</u>					<u>\$ 5,363,440</u>

As of June 30, 2020, December 31, 2019 and June 30, 2019, the Group provides guarantees information with property, plant and equipment, please refer to Note 8.

F. Lease Arrangements

- (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-of-use assets and the depreciation charges recognized are as follows:

	June 30, 2020	December 31, 2019	June 30, 2019
	Carrying amount	Carrying amount	Carrying amount
Land	\$ 519,535	\$ 576,970	\$ 618,616
Buildings	369,556	198,912	183,921
Transportation Equipment (company car)	-	27	111
	<u>\$ 889,091</u>	<u>\$ 775,909</u>	<u>\$ 802,648</u>

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019
	Depreciation	Depreciation
Land	\$ 4,776	\$ 8,632
Buildings	5,499	1,814
Transportation Equipment (company car)	-	42
	<u>\$ 10,275</u>	<u>\$ 10,488</u>

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
	Depreciation	Depreciation
Land	\$ 12,207	\$ 18,998
Buildings	9,125	2,889
Transportation Equipment (company car)	41	83
	<u>\$ 21,373</u>	<u>\$ 21,970</u>

- (3) The Group's right-of-use assets for the three months ended June 30, 2020 and 2019, with increased to \$176,785 and \$160,534, respectively. For the six months ended June 30, 2020 and 2019, with increased to \$182,650 and \$160,534, respectively.
- (4) The profit and loss item related to the lease contract is as follows:

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019
Items affecting current profit and loss:		
Interest expense on lease liability	\$ 1,108	\$ 1,228
Cost relates to short-term lease contract	266	102

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Items affecting current profit and loss:		
Interest expense on lease liability	\$ 1,986	\$ 1,280
Cost relates to short-term lease contract	509	682

(5) The Group's lease cash outflow for the six months ended June 30, 2020 and 2019 were \$26,190 and \$25,886, respectively.

G. Other Current Assets and Other Non-Current Assets

Item	June 30, 2020	December 31, 2019	June 30, 2019
Current:			
Restricted bank deposit	\$ 19,574	\$ 19,805	\$ -
Time deposits	41,910	43,050	-
Others	38,557	35,145	33,877
Total	<u>\$ 100,041</u>	<u>\$ 98,000</u>	<u>\$ 33,877</u>
Non-current:			
Prepaid for land and equipment	\$ 182,836	\$ 57,686	\$ 76,317
Refundable deposits	4,916	4,821	4,948
Others	27,548	77,962	40,649
Total	<u>\$ 215,300</u>	<u>\$ 140,469</u>	<u>\$ 121,914</u>

Note: As of June 30, 2020, December 31, 2019 and June 30, 2019, the group provided guarantees for other non-current assets, please refer to Note 8.

H. Short-Term Loans

Loan Type	June 30, 2020	Interest rate range	Collateral
Credit loans	\$ 1,745,570	0.599%~1.800%	Note
Loan Type	December 31, 2019	Interest rate range	Collateral
Credit loans	\$ 1,669,050	0.730%~2.260%	Note
Loan Type	June 30, 2019	Interest rate range	Collateral
Credit loans	\$ 1,597,860	0.730%~3.000%	Note

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

I. Other Payables

	June 30, 2020	December 31, 2019	June 30, 2019
Dividend payable	\$ 963,059	\$ -	\$ 588,178
Accrued salaries	385,901	493,937	390,561
Payables on equipment	253,635	270,888	214,946
Others	151,825	115,733	186,002
Total	<u>\$ 1,754,420</u>	<u>\$ 880,558</u>	<u>\$ 1,379,687</u>

J. Corporate Bonds Payable

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
The 4th domestic unsecured convertible corporate bonds	\$ 50,300	\$ 71,100	\$ 714,000
Less: discount on corporate bonds payable	(671)	(1,320)	(17,014)
Total	<u>\$ 49,629</u>	<u>\$ 69,780</u>	<u>\$ 696,986</u>

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

- (a) The conditions for issuing the fourth unsecured convertible corporate bonds of the Company are as follows:
 - i. With the approval of the competent authority, the Company raised and issued the 4th unsecured convertible corporate bonds in Taiwan, totaling NT\$1,000,000, with a par value of NT\$100,000 and a coupon interest rate of 0%. The convertible corporate bond was issued for 3 years and circulated from October 2, 2018 to October 2, 2021. When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. The convertible corporate bond was listed at Taipei Exchange on October 2, 2018.
 - ii. The convertible corporate bond holder may at any time request the Company for conversion to its common stock from the next 3 months after the issuance of the bond to the expiration date, except for the period of suspension of the transfer according to the regulations or decrees. The rights and obligations of the convertible corporate bond holder are the same as those of the original common stock.
 - iii. The conversion price of the convertible corporate bond is set at NT\$54.5 per share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method.
 - iv. Within forty days before the convertible corporate bond is issued two full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.
 - v. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the 30 consecutive business days of the closing price of the common stock of the Company will exceed 30% of the conversion price at that time; the Company will notify the creditors within 30 business days thereafter and withdraw the outstanding bonds in cash on the basis of the day of recovery based on the bond value. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the balance of the convertible corporate bond is less than 10% of the total issued amount, the Company will have to withdraw all its bonds in cash at any time thereafter based on the denomination of the bonds.

- vi. As per the conversion method, all of the Company's recovery (including purchased from the Securities Merchants Business Offices), repayment, or converted the convertible corporate bond will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.
- (b) As of June 30, 2020, the convertible corporate bond denomination \$949,700 has been converted to 18,224 thousand shares of common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the ratio of cash dividends per share to the current price of the common stock exceeds 1.5%, the company shall adjust the conversion price of this bond to NT\$51.3 per share in accordance with the provisions of the terms of issue.
- (c) When issuing the convertible corporate bond, the Company will, in accordance with the international accounting standards No.32, separate the conversion rights of equity from the constituent elements of the liabilities, and account for the "capital surplus- stock warrants ". The balance as of June 30, 2020 is \$1,493. 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. Other Non-Current Liabilities

Item	June 30, 2020	December 31, 2019	June 30, 2019
Non-Current:			
Deferred government grant income	\$ 117,298	\$ 122,016	\$ 129,658
Other non-current liabilities - Other	87,934	90,326	95,045
Total	<u>\$ 205,232</u>	<u>\$ 212,342</u>	<u>\$ 224,703</u>

L. 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, 2020 and 2019, the above-mentioned pension measures of the Group recognized under pension were \$1,614, \$1,295, \$3,292, \$2,613, respectively.
- (2) The Group's subsidiary in China in accordance with the regulations of the People's Republic of China government pension system (on May 1, 2019, the rate of pension insurance in all provinces and cities in China was reduced to 16%), based on a monthly 16% to 20% of the total local staff salaries set aside pension (Sunny Footwear and Fujian Sunshine Footwear are 16% to 18%; Hubei Sunsmile Footwear are 16% to 19%; Fujian Laya Outdoor Products and Fujian La Sportiva are 16% to 20%). Each employee's monthly pension is arranged by the government,

and the Group has a monthly contribution, but no further obligation. For the three months and six months ended June 30, 2020 and 2019, the Group's second-tier subsidiary in China in accordance with the above-mentioned pension measures recognized under pension were \$4,057, \$15,788, \$11,906, \$34,073, 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, 2020 and 2019, the above-mentioned pension measures of the Group recognized under pension were \$28,541, \$23,263, \$56,966, \$45,527, respectively.

M. Share Capital

- (1) On August 6, 2018, the Company adopted a cash capital increase plan by the Board of Directors, which issued 6,000 thousands common stock with cash capital increase and declared to the FSC on September 7, 2018; the issue price was \$38.5 per share, the base date of capital increase was January 11, 2019, and the amount raised was \$231,000. The shares were respectively charged \$65,886 and \$165,114 in December 2018 and January 2019.
- (2) On June 30, 2020, the Company's rated capital was \$3,000,000, divided into 300 million shares, the paid in capital was \$1,751,620, the denomination of \$10 per share.

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

	Unit: Thousand Shares	
	2020	2019
January 1	174,757	146,274
Capital increase by cash	-	6,000
Convertible corporate bonds execution conversion	405	9,951
Shares recovery	(660)	-
June 30	174,502	162,225

(3) Treasury Stock

- (a) Reason and quantity of share recovery:

Name of the company holding the shares	Reason of recovery	June 30, 2020	
		Share (Thousand shares)	Carrying amount
The Company	For the transfer of shares to employees	660	\$ 57,583

- (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 earnings plus the premium for the issuance of shares and the amount of the realized capital surplus.

- (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 employees for the transfer of shares shall be transferred within 5 years 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 cancel. To maintain the Company's credit and shareholder's rights, the shares purchased shall be subject to change registration and cancel within 6 months from the date of purchase.

N. Capital Surplus

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

2020				
	Issue Premium	Share Warrants	Others	Total
January 1	\$ 4,457,016	\$ 2,110	\$ 546	\$ 4,459,672
Convertible corporate bonds to convert common stocks	16,997 (	617)	-	16,380
June 30	<u>\$ 4,474,013</u>	<u>\$ 1,493</u>	<u>\$ 546</u>	<u>\$ 4,476,052</u>
2019				
	Issue Premium	Share Warrants	Others	Total
January 1	\$ 3,330,877	\$ 45,886	\$ 357	\$ 3,377,120
Capital increase by cash	176,158 (	7,731)	-	168,427
Convertible corporate bonds to convert common stocks	427,869 (	16,779)	-	411,090
Stock options invalidation	-	(189)	189	-
June 30	<u>\$ 3,934,904</u>	<u>\$ 21,187</u>	<u>\$ 546</u>	<u>\$ 3,956,637</u>

O. Retained Earnings

- (1) The Company passed the amendments to the Articles of Incorporation by resolution of the shareholders' meeting held on Jun 12, 2020. The amendments stipulate that the earnings distribution may be made on a semi-annual basis after the close of each half a year. Distribution of earnings by way of stock dividends should be approved by resolution of the shareholder's meeting and distribution of earnings by way of cash dividends should be approved by the Board of Directors. In accordance with the amended provisions of the Articles of Incorporation, 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 paid-in capital, only the legal capital reserve shall be accumulated as the above allocation, and shall be limited to the portion exceeds 25% of the paid-in capital.
- (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 reversals, the reversal 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, 2020, the Company passed the 2019 earnings distribution case by resolution of the shareholders' meeting, and the Company passed 2018 earnings distribution cases by the shareholders' meeting resolution on June 12, 2019. The details are as follows:

	2019		2018	
	Amount	Dividends per share (NT\$)	Amount	Dividends per share (NT\$)
Legal capital reserve	\$ 127,920		\$ 74,300	
Special capital reserve	262,634		(25,593)	
Cash dividends	963,059	\$ 5.5	588,178	\$ 3.68
Total	<u>\$1,353,613</u>		<u>\$ 636,885</u>	

In accordance with the letter 1010012865 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 2020 and 2019, due to the conversion of the convertible corporate bonds and purchase of the treasury stocks, it hasn't been transferred to the employees. The Board of Directors' meeting on June 12, 2020 and 2019 resolved to authorize the Chairman's decisions to adjust the shareholder cash dividend of \$5.52 and \$3.63, respectively

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

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

P. Operating Revenue

	For the Three Month Ended June 30, 2020	For the Three Month Ended June 30, 2019
Revenue from Contracts with Customers	\$ 2,376,331	\$ 3,354,345
	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Revenue from Contracts with Customers	\$ 5,149,195	\$ 5,931,988

(1) Breakdown of Customer Contract Income

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

(2) Contract liability

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

	June 30, 2020	December 31, 2019	June 30, 2019	January 1, 2019
Contract liability				
- Advance sales receipts	\$ 21,162	\$ 28,538	\$ 9,446	\$ 27,619

Contract liability opening recognized income in current period

	For the Three Month Ended June 30, 2020	For the Three Month Ended June 30, 2019
Contract liability opening balance recognized income in current period –Advance sales receipts	\$ 3,259	\$ -

	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Contract liability opening balance recognized income in current period –Advance sales receipts	\$ 24,977	\$ 27,619
Q. <u>Interest Income</u>		
	For the Three Month Ended June 30, 2020	For the Three Month Ended June 30, 2019
Interest on bank deposits	\$ 2,325	\$ 2,612
	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Interest on bank deposits	\$ 5,046	\$ 5,154
R. <u>Other Income</u>		
	For the Three Month Ended June 30, 2020	For the Three Month Ended June 30, 2019
Government subsidy income	\$ 3,449	\$ 1,486
Other income - Other	10,881	815
	\$ 14,330	\$ 2,301
	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Government subsidy income	\$ 4,857	\$ 11,555
Other income - Other	25,527	20,673
	\$ 30,384	\$ 32,228
S. <u>Other Gains and Losses</u>		
	For the Three Month Ended June 30, 2020	For the Three Month Ended June 30, 2019
Disposal of property, plant and equipment losses	(\$ 5,921)	(\$ 391)
Foreign exchange (loss) gain	(28,714)	59,597
Gain on financial assets and liabilities measured at fair value through profit and loss	517	765
Other losses	(1,338)	(3,269)
	(\$ 35,456)	(\$ 56,702)
	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Disposal of property, plant and equipment losses	(\$ 6,751)	(\$ 795)
Foreign exchange gain	19,235	14,784
(Loss) Gain on financial assets and liabilities measured at fair value through profit and loss	(830)	6,620
Other losses	(10,366)	(6,946)
	\$ 1,288	\$ 13,663

T. Finance Costs

	For the Three Month Ended June 30, 2020	For the Three Month Ended June 30, 2019
Bank borrowing	\$ 5,893	\$ 6,981
Convertible corporate bonds	138	2,233
Lease liabilities	1,108	1,228
	<u>\$ 7,139</u>	<u>\$ 10,442</u>

	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Bank borrowing	\$ 12,096	\$ 11,912
Convertible corporate bonds	300	5,434
Lease liabilities	1,986	1,280
	<u>\$ 14,382</u>	<u>\$ 18,626</u>

U. Expenses Expressed by Nature

	For the Three Month Ended June 30, 2020	For the Three Month Ended June 30, 2019
Employee benefits		
Salary	\$ 785,995	\$ 959,588
Labor and health insurance	20,901	28,870
Pension	34,212	40,346
Others	17,871	18,089
	<u>858,979</u>	<u>1,046,893</u>
Depreciation	169,065	151,714
Amortization	10,591	8,438
	<u>\$ 1,038,635</u>	<u>\$ 1,207,045</u>

	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Employee benefits		
Salary	\$ 1,662,327	\$ 1,756,612
Labor and health insurance	46,294	57,446
Pension	72,164	82,213
Others	33,512	32,439
	<u>1,814,297</u>	<u>1,928,710</u>
Depreciation	332,051	300,395
Amortization	23,767	17,050
	<u>\$ 2,170,115</u>	<u>\$ 2,246,155</u>

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

- (2) The employee bonus estimates of the Company for the three months ended June 30, 2020 and 2019, and for the six months ended June 30, 2020 and 2019 were \$2,500, \$2,500, \$5,000 and \$5,000, respectively; Directors' remuneration estimates were \$2,500, \$2,500, \$5,000 and \$5,000, 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 2019 approved by the Board of Directors are consistent with the financial statements of 2019.

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

Components of income tax expense:

	For the Three Month Ended June 30, 2020	For the Three Month Ended June 30, 2019
Current income tax:		
Income tax on current income	\$ 33,346	\$ 38,563
Underestimated (overestimated) income tax in prior periods	1,452	(1,772)
Total current income tax	<u>34,798</u>	<u>36,791</u>
Deferred income tax:		
The primitive generation and turn of temporary differences	262	4,603
Total deferred income tax	<u>262</u>	<u>4,603</u>
Income tax expenses	<u>\$ 35,060</u>	<u>\$ 41,394</u>
	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Current income tax:		
Income tax on current income	\$ 86,743	\$ 77,634
Underestimated (overestimated) income tax in prior periods	1,606	(1,809)
Total current income tax	<u>88,349</u>	<u>75,825</u>
Deferred income tax:		
The primitive generation and turn of temporary differences	(2,255)	4,417
Total deferred income tax	<u>(2,255)</u>	<u>4,417</u>
Income tax expenses	<u>\$ 86,094</u>	<u>\$ 80,242</u>

- (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 2018.

W. Earnings Per Share (NT\$)

For the Three Month Ended June 30, 2020			
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	\$ 171,923	174,575	\$ 0.99
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	171,923	174,575	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	138	1,018	
Employee bonus	-	48	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 172,061	175,641	\$ 0.98
For the Three Month Ended June 30, 2019			
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	\$ 296,708	160,223	\$ 1.85
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	296,708	160,223	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	2,233	13,198	
Employee bonus	-	191	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 298,941	173,612	\$ 1.72
For the Six Month Ended June 30, 2020			
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	\$ 526,066	174,790	\$ 3.01
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	525,066	174,790	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	300	1,078	
Employee bonus	-	138	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 526,366	176,006	\$ 2.99

For the Six Month Ended June 30, 2019			
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	\$ 502,014	156,571	\$ 3.21
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	502,014	156,571	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	5,434	13,198	
Employee bonus	-	207	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 507,448	169,976	\$ 2.99

X. Supplementary Information on Cash Flow

(1) Investing activities with partial cash payments:

	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Additions to property, plant and equipment	\$ 490,980	\$ 665,218
Less: Prepayments for land and equipment at the beginning of the period	(57,686)	(52,090)
Add: Prepayments for land and equipment at the end of the period	182,836	76,317
Add: Payables for equipment at the beginning of the period	270,888	267,378
Less: Payables for equipment at the end of the period	(253,635)	(214,946)
Cash paid in the period	\$ 633,383	\$ 741,877

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

	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Share capital converted from convertible corporate bonds	\$ 4,054	\$ 99,511

Y. Changes in Liabilities Arising from Financing Activities

	Long and short term loans and short-term notes	Lease liabilities	Convertible corporate bonds	Dividend payable	Total liabilities from financing activities
January 1, 2020	\$ 1,669,050	\$ 362,261	\$ 69,780	\$ -	\$ 2,101,091
Changes in cash flows from financing	166,444	(25,681)	-	-	140,763
Other non-cash flows	-	148,413	(20,151)	963,059	1,091,321
Effects of exchange rate changes	(19,929)	(4,644)	-	-	(24,573)
June 30, 2020	<u>\$ 1,815,565</u>	<u>\$ 480,349</u>	<u>\$ 49,629</u>	<u>\$ 963,059</u>	<u>\$ 3,308,602</u>

	Long and short term loans and short-term notes	Lease liabilities	Convertible corporate bonds (note)	Dividend payable	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)	588,178	244,758
Effects of exchange rate changes	12,139	4,296	-	-	16,435
June 30, 2019	<u>\$ 1,677,826</u>	<u>\$ 376,046</u>	<u>\$ 696,986</u>	<u>\$ 588,178</u>	<u>\$ 3,339,036</u>

Note : Including portion due within one year

7. Related-Party Transactions

Key Management Compensation

	For the Three Month Ended June 30, 2020	For the Three Month Ended June 30, 2019
Short-term employee benefits	<u>\$ 12,694</u>	<u>\$ 10,239</u>

	For the Six Month Ended June 30, 2020	For the Six Month Ended June 30, 2019
Short-term employee benefits	<u>\$ 25,974</u>	<u>\$ 26,180</u>

8. Pledged Assets

Assets	Carrying amounts			Guarantee use
	June 30, 2020	December 31, 2019	June 30, 2019	
Land	\$ 105,930	\$ 107,181	\$ 111,042	Short-term loans
Buildings	162,469	166,612	174,917	Short-term loans
Other financial assets (listed other current assets and other non-current assets)	19,972	20,208	1,886	Performance bond for power supply contract
Refundable deposits (listed other non-current assets)	4,916	4,821	4,948	Deposits for leased land and other
	<u>\$ 293,287</u>	<u>\$ 298,822</u>	<u>\$ 292,793</u>	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments
Commitments

A. Capital expenditure contracted but not yet incurred:

	Contract Price		
	June 30, 2020	December 31, 2019	June 30, 2019
Property, plant and equipment	<u>\$ 600,357</u>	<u>\$ 991,045</u>	<u>\$ 879,379</u>

	Unpaid Price		
	June 30, 2020	December 31, 2019	June 30, 2019
Property, plant and equipment	<u>\$ 324,766</u>	<u>\$ 451,630</u>	<u>\$ 373,388</u>

B. Outstanding letter of credit amount:

	June 30, 2020	December 31, 2019	June 30, 2019
Outstanding letter of credit	<u>\$ 16,347</u>	<u>\$ 16,548</u>	<u>\$ -</u>

10. Significant Disaster Losses

None.

11. Significant Events After The Reporting Period

On April 30, 2020, the Board of Directors meeting of Company resolved to issue new shares by cash capital increase and issue the 5th domestic unsecured convertible corporate bonds. Above case was approved by Financial Supervisory Commission on June 9, 2020. It is approved to issue 10,000 thousand ordinary shares by cash capital increase. The issue price is \$75 per share, the amount to be raised is \$750,000 thousand, and the record date of recapitalization is on August 17, 2020. Besides, the cash capital raising period was extended to Dec. 9, 2020 and approved by Financial Supervisory Commission on July 31, 2020. As regards the convertible corporate bonds, total amount of the issue is \$500,000 thousand, with a face value of \$100 thousand each, with a coupon rate of 0%, and the issue period is 3 years. It is planned to conduct public underwriting by competitive auction, and the base bid is not less than 100% of the face value. The period of circulation is from August 17, 2020 to August 17, 2023. The conversion price will be NT\$112 per share at issuance. All convertible corporate bonds are repaid in cash at the bond's nominal amount when due. The convertible corporate bonds will be traded in Taipei Exchange from August 17, 2020.

12. Others

A. Capital Management

There are no significant changes in this period, please refer to Note 12 consolidated financial statements in 2019.

B. Financial Instruments

(1) Categories of financial instruments

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial Assets</u>			
Financial assets at fair value through profit and loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 3,808	\$ 4,654	\$ 2,908
Financial assets/loans and receivables measured at amortized cost			
Cash and cash equivalents	\$ 1,423,462	\$ 1,373,474	\$ 1,367,944
Notes receivable	-	-	368
Accounts receivable	2,255,326	2,329,423	2,695,161
Other receivables	137,176	222,416	133,243
Other financial assets- Current	61,484	62,855	-
Refundable deposits	4,916	4,821	4,948
Other financial assets- Non-current	-	403	-
	<u>\$ 3,882,364</u>	<u>\$ 3,993,392</u>	<u>\$ 4,201,664</u>
	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
<u>Financial Liabilities</u>			
Financial liabilities measured at amortized cost			
Short-term loans	\$ 1,745,570	\$ 1,669,050	\$ 1,597,860
Short-term notes payable	69,995	-	79,966
Notes payable	3,963	-	-
Accounts payable	1,358,920	1,393,220	1,277,378
Other payables	1,754,420	880,558	1,379,687
Corporate bonds payable (including maturity within one year or one operating cycle)	49,629	69,780	696,986
	<u>\$ 4,982,497</u>	<u>\$ 4,012,608</u>	<u>\$ 5,031,877</u>
Lease liabilities (current and non-current)	\$ 480,349	\$ 362,261	\$ 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.

(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.
- 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:

June 30, 2020							
(Foreign currency: functional currency)				Sensitivity Analysis			
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income	
<u>Financial Assets</u>							
<u>Monetary items</u>							
USD: RMB	\$ 3,057	7.0699	\$ 90,581	5%	\$ 4,529	\$	-
RMB: USD	55,235	0.1414	231,488	5%	11,574		-
<u>Financial Liabilities</u>							
<u>Monetary items</u>							
USD: RMB	\$ 1,069	7.0699	\$ 31,668	5%	\$ 1,583	\$	-
NTD: USD	806,200	0.0337	806,200	5%	40,310		-
December 31, 2019							
(Foreign currency: functional currency)				Sensitivity Analysis			
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income	
<u>Financial Assets</u>							
<u>Monetary items</u>							
USD: RMB	\$ 11,256	6.9640	\$ 337,460	5%	\$ 16,873	\$	-
RMB: USD	55,123	0.1436	237,303	5%	11,865		-
<u>Financial Liabilities</u>							
<u>Monetary items</u>							
USD: RMB	\$ 1,461	6.9640	\$ 43,803	5%	\$ 2,190	\$	-
NTD: USD	1,055,417	0.0334	1,055,417	5%	52,771		-

June 30, 2019

(Foreign currency: functional currency)							Sensitivity Analysis	
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income		
<u>Financial Assets</u>								
<u>Monetary items</u>								
USD: RMB	\$ 12,702	6.8747	\$ 394,525	5%	\$ 19,726	\$ -		
RMB: USD	45	0.1455	201	5%	10	-		
<u>Financial Liabilities</u>								
<u>Monetary items</u>								
USD: RMB	\$ 3,219	6.8747	\$ 99,973	5%	\$ 4,999	\$ -		
NTD: USD	821,110	0.0322	821,110	5%	41,056	-		

- iv. The Group's monetary items have a significant influence on the recognized exchange gains and (losses) for the six months ended June 30, 2020 and 2019 due to exchange rate fluctuation (including realized and unrealized), the aggregate amount of gains and (losses) were \$(28,714), \$59,597, \$19,235 and \$14,784, 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 for the six months ended June 30, 2020 and 2019 would increase or decrease by \$184 and \$120 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. For the six months ended June 30, 2020 and 2019, 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 for the six months ended June 30, 2020 and 2019 will be decreased or increased by \$726 and \$670 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 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 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 internally specified accounting policies of the Group, it is deemed as a breach of contract when the contractual payments are overdue for more than 365 days in accordance with stipulated payment terms.
- 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 as of June 30, 2020, December 31, 2019 and June 30, 2019.
- 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 as of June 30, 2020, December 31, 2019 and June 30, 2019 were as follows:

June 30, 2020	Expected loss rate	Total carrying amount	Loss allowance
Current	0.00%	\$ 1,818,330	\$ -
Overdue 0 to 90 days	0.98%	387,649	3,810
Overdue 91 to 180 days	3.91%	54,071	2,115
Overdue 181 to 365 days	23.21%	1,564	363
Over 365 days past due	100.00%	7,241	7,241
Total		<u>\$ 2,268,855</u>	<u>\$ 13,529</u>

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

June 30, 2019	Expected loss rate	Total carrying amount	Loss allowance
Current	0.00%	\$ 2,437,728	\$ -
Overdue 0 to 90 days	0.37%	247,480	919
Overdue 91 to 180 days	15.51%	8,144	1,263
Overdue 181 to 365 days	30.96%	6,314	1,955
Over 365 days past due	100.00%	1,809	1,809
Total		<u>\$ 2,701,475</u>	<u>\$ 5,946</u>

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

	2020
	Accounts receivable
January 1	\$ 8,715
Allowance for Impairment loss	5,073
Effect of exchange rate changes	(259)
June 30	<u>\$ 13,529</u>
	2019
	Accounts receivable
January 1	\$ 3,630
Allowance for Impairment loss	2,296
Effect of exchange rate changes	20
June 30	<u>\$ 5,946</u>

(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, 2020, December 31, 2019 and June 30, 2019 the Group has unused borrowing facilities of \$3,095,945, \$3,218,810 and \$1,834,680, 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, 2020	Less than 6 months	7 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Short-term loans	\$ 1,747,907	\$ -	\$ -	\$ -	\$ -
Short-term notes payable	70,005	-	-	-	-
Notes payable	3,963	-	-	-	-
Accounts payable	1,358,920	-	-	-	-
Other payables	1,689,430	64,990	-	-	-
Corporate bonds payable	-	-	50,300	-	-
Lease liabilities	16,477	6,257	20,809	46,854	400,005

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

June 30, 2019	Less than 6 months	7 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Short-term loans	\$ 1,602,705	\$ 409	\$ -	\$ -	\$ -
Short-term bills payable	80,000	-	-	-	-
Accounts payable	1,277,378	-	-	-	-
Other payables	1,304,662	64,446	10,579	-	-
Corporate bonds payable	-	-	-	714,000	-
Lease liabilities	18,201	17,848	35,024	82,886	265,591

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, 2020	
		Carrying amount	Fair Value
			Level 3
Corporate bonds payable	\$	49,629	\$ 49,924

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

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

- (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, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock	\$ 3,672	\$ -	\$ -	\$ 3,672
- Redemption right of convertible corporate bonds	-	-	136	136
Total	\$ 3,672	\$ -	\$ 136	\$ 3,808

December 31, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock	\$ 4,626	\$ -	\$ -	\$ 4,626
- Redemption right of convertible corporate bonds	-	-	28	28
Total	<u>\$ 4,626</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 4,654</u>

June 30, 2019	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock	\$ 2,409	\$ -	\$ -	\$ 2,409
- Redemption right of convertible corporate bonds	-	-	499	499
Total	<u>\$ 2,409</u>	<u>\$ -</u>	<u>\$ 499</u>	<u>\$ 2,908</u>

- (4) The methods and assumptions the Group used to measure fair value are as below:
- 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.
 - The cash flow expected to be received by the corporate bonds payable according to the underlying assets are measured by the discounted present value of the market interest rate at the balance sheet date.
- (5) For the six months ended June 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.
- (6) The following table shows the changes for the six months ended June 30, 2020 and 2019 for Level 3:

	2020	2019
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	\$ 28	(\$ 5,500)
Gain or loss on the recognized profit or loss (Note)	124	6,065
Current conversion	(16)	(66)
June 30	<u>\$ 136</u>	<u>\$ 499</u>

Note: Recognized in other gains and losses.

- (7) Evaluation process regarding fair value Level 3 is conducted by the Group's treasury, by which the independence of fair value of financial instruments is verified through use of independent data source in order that such valuation results are close to market conditions, and that the data source is independent, reliable, consistent with other resources, and representative of the exercisable price. In addition, multiple actions are regularly taken to ensure the reasonableness of the fair value valuation, e.g. calibrating the valuation model, conducting retrospective testing, updating the inputs and data for the valuation model, and making any necessary fair value adjustments.
- (8) Below states the quantitative information about the significant unobservable inputs of the valuation model used in the measurements categorized within Level 3 of the fair value hierarchy, as well as the sensitivity analysis of changes in significant unobservable inputs:

	Fair value as of June 30, 2020	Evaluation techniques	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	\$ 136	Binomial Tree Evaluation Model	Volatility	50.27%	The higher the volatility, the higher the fair value
	Fair value as of December 31, 2019	Evaluation techniques	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	\$ 28	Binomial Tree Evaluation Model	Volatility	33.34%	The higher the volatility, the higher the fair value
	Fair value as of June 30, 2019	Evaluation techniques	Significant unobservable input value	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

- (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, 2020	
			Recognized in Profit or Loss	
	Input value	Change	Favorable change	Unfavorable change
Financial Liabilities				
Hybrid instruments	Volatility	±5%	\$ 30 (\$	55)

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

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

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: None.
- (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)

D. Information of major shareholder

Information of major shareholder: Please refer to Appendix Table 9.

14. Operating Segment Information

A. General Information

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

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

B. Department Information

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

For the Three Months Ended June 30, 2020				
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	\$ 2,369,338	\$ 6,962	\$ 31	\$ 2,376,331
Inter-segment revenue	1,541,334	167,517	326	1,709,177
Total revenue	<u>\$ 3,910,672</u>	<u>\$ 174,479</u>	<u>\$ 357</u>	<u>\$ 4,085,508</u>
Segment profit (loss)	<u>\$ 173,632</u>	<u>\$ 6,929</u>	<u>\$ 170,626</u>	<u>\$ 351,187</u>
Segment total assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Segment total liabilities (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the 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	<u>\$ 5,734,649</u>	<u>\$ 293,200</u>	<u>\$ 421</u>	<u>\$ 6,028,270</u>
Segment profit (loss)	<u>\$ 311,349</u>	<u>\$ 23,008</u>	<u>\$ 294,372</u>	<u>\$ 628,729</u>
Segment total assets (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Segment total liabilities (Note)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

For the Six Months Ended June 30, 2020				
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	\$ 5,139,860	\$ 9,303	\$ 32	\$ 5,149,195
Inter-segment revenue	3,604,587	475,662	655	4,080,904
Total revenue	\$ 8,744,447	\$ 484,965	\$ 687	\$ 9,230,099
Segment profit (loss)	\$ 526,671	\$ 32,012	\$ 523,374	\$ 1,082,057
Segment total assets (Note)	\$ -	\$ -	\$ -	\$ -
Segment total liabilities (Note)	\$ -	\$ -	\$ -	\$ -

For the 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)	\$ -	\$ -	\$ -	\$ -

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

C. Reconciliation of Segment Revenue and Profit or Loss

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

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019
Revenue after adjustment from reportable operating segments	\$ 4,085,151	\$ 6,027,849
Revenue after adjustment from other operating segments	357	421
Total income before tax from operating segments	4,085,508	6,028,270
Elimination of intersegment revenue	(1,709,177)	(2,673,925)
Total consolidated operating revenue	\$ 2,376,331	\$ 3,354,345

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Revenue after adjustment from reportable operating segments	\$ 9,229,412	\$ 10,674,132
Revenue after adjustment from other operating segments	687	760
Total income before tax from operating segments	9,230,099	10,674,892
Elimination of intersegment revenue	(4,080,904)	(4,742,904)
Total consolidated operating revenue	\$ 5,149,195	\$ 5,931,988

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

	For the Three Months Ended June 30, 2020	For the Three Months Ended June 30, 2019
Revenue after adjustment from reportable operating segments	\$ 180,561	\$ 334,357
Revenue after adjustment from other operating segments	170,626	294,372
Total income before tax from operating segments	351,187	628,729
Elimination of intersegment revenue	(144,717)	(291,671)
Total consolidated operating revenue	\$ 206,470	\$ 337,058

	For the Six Months Ended June 30, 2020	For the Six Months Ended June 30, 2019
Revenue after adjustment from reportable operating segments	\$ 558,683	\$ 569,700
Revenue after adjustment from other operating segments	523,374	495,330
Total income before tax from operating segments	1,082,057	1,065,030
Elimination of intersegment revenue	(470,933)	(484,357)
Total consolidated operating revenue	\$ 611,124	\$ 580,673

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

Loans to others

For the six months ended June 30, 2020

Appendix Table 1

Unit NTD thousand

No. (Note 1)	Creditor	Borrower	General ledger account	Related Party	Maximum Balance for the period	Ending Balance (Note 4)	Amount Actually Drawn	Interest rate	Nature of loan	Transaction Amounts	Reason for short- term financing	Allowance for bad debt	Collateral		Financing Limits for each borrowing company (Note 2)	Financing company's total financing Amount Limits (Note 3)	Note
													Item	Value			
1	Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limite d	Other receivables	Y	\$ 449,149	\$ 437,915	\$ 437,915	1.80%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 695,529	\$ 869,412	Notes 4 and 5

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

(1) The Company is '0'.

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

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

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

Note 4: In Q2 2020, the exchange rates for assets and profit or loss were USD:NTD=29.63 and USD:NTD=30.0004, respectively.

Note 5: Offset in consolidated statements.

For the six months ended June 30, 2020

(Unless Otherwise Specified)

Note 6: In Q2 2020, the exchange rates for assets and profit or loss were USD:NTD=29.63 and USD:NTD=30.0004, respectively.

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

Holding of marketable securities (not including subsidiaries, associates and joint ventures)

June 30, 2020

Appendix Table 3

Unit NTD thousand
(Unless Otherwise Specified)

Securities Held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	At ending			Fair value	Note
				Number of Shares	Book value	Ratio of Shareholding		
Fulgent Sun International (Holding) Co., Ltd.	Stock – Tainan Enterprises (CAYMAN)	None	Financial Assets at Fair Value through Profit or Loss - Non-current	181,774	\$ 3,672	0.61	\$ 3,672	-

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, 2020

Appendix Table 4

Unit NTD thousand

(Unless Otherwise Specified)

Purchaser/Seller	Name of the Counterparty	Relationship with the counterparty	Transaction Details				Unusual trade conditions and its reasons (Note)		Notes and Accounts Receivable (Payable)			
			Purchase/Sale	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note	
Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	Subsidiaries	Purchase	\$ 855,575	0.21	180 days after purchase	Note 1	Note 1	(\$ 1,406,919)	(1.03)	Notes 2 and 3	
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiaries	Purchase	347,713	0.09	90 days after purchase	Note 1	Note 1	(342,387)	(0.25)	Notes 2 and 3	
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiaries	Purchase	1,060,231	0.26	120 days after purchase	Note 1	Note 1	(82,404)	(0.06)	Notes 2 and 3	
Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	Subsidiaries	Purchase	165,185	0.04	180 days after purchase	Note 1	Note 1	(304,291)	(0.22)	Notes 2 and 3	
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiaries	Purchase	629,080	0.16	120 days after billing	Note 1	Note 1	(80,083)	(0.06)	Notes 2 and 3	
Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	Subsidiaries	Purchase	275,170	0.07	120 days after billing	Note 1	Note 1	(218,639)	(0.16)	Notes 2 and 3	
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiaries	Sales	(217,968)	(0.04)	135 days after Sales	Note 1	Note 1	149,220	0.07	Notes 2 and 3	
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiaries	Sales	(127,949)	(0.02)	135 days after Sales	Note 1	Note 1	91,263	0.04	Notes 2 and 3	

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

Note 2: In Q2 2020, the exchange rates for assets and profit or loss were USD:NTD=29.63 and USD:NTD=30.0004, 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

June 30, 2020

Appendix Table 5

Unit NTD thousand

(Unless Otherwise Specified)

Creditor	Name of the Counterparty	Relationship with the counterparty	Accounts receivable balance from related party	Turnover Rate	Overdue Receivable		Amount collected subsequent to the reporting period(Note 1)	Allowance for bad debt	Note
					Amount	Actions Taken			
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	\$ 1,406,919	1.15	\$ -	-	\$ 161,921	\$ -	Notes 2 and 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	304,291	1.08	-	-	29,373	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	159,687	1.42	-	-	38,184	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	437,915	-	-	-	-	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	342,387	2.15	-	-	79,306	-	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	218,639	2.33	-	-	39,418	-	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiaries	149,220	1.19	-	-	140,648	-	Notes 2 and 3

Note 1: The subsequent collections represent collections from the balance sheet date to August 6, 2020.

Note 2: In Q2 2020, the exchange rates for assets and profit or loss were USD:NTD=29.63 and USD:NTD=30.0004, respectively

Note 3: Offset in consolidated statements.

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

Parent-subsidiary and subsidiary-subsidiary business relations and significant transactions and amounts thereof

For the six months ended June 30, 2020

Unit NTD thousand

(Unless Otherwise Specified)

Appendix Table 6

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status			Percentage of consolidated total operating revenues or total assets (Note 3)
				General Ledger Account	Amount (Note 5)	Trade terms	
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Accounts payable	1,406,919	Note 4	10.50%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Accounts payable	159,687	Note 4	1.19%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	304,291	Note 4	2.27%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Accounts payable	342,387	Note 4	2.55%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Sales	217,968	Note 4	4.23%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	855,575	Note 4	16.62%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Purchase	165,185	Note 4	3.21%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Purchase	347,713	Note 4	6.75%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Purchase	1,060,231	Note 4	20.59%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Other payables	437,915	Note 4	3.27%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Purchase	629,080	Note 4	12.22%
1	Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	1	Purchase	275,170	Note 4	5.34%
1	Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	1	Accounts payable	218,639	Note 4	1.63%

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 Q2 2020, the exchange rates for assets and profit or loss were USD:NTD=29.63 and USD:NTD=30.0004, 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, 2020

Appendix Table 7

Unit NTD thousand

(Unless Otherwise Specified)

Investee Company	Investor Company	Place of Registration	Main Businesses	Original Investment Amount (Note 2)		Shares Held as of year ended			Investee company current profit or loss (Note 3)	Investment gains and losses recognized in the current period (Note 3)	Note
				June 30, 2020	December 31, 2019	Number of Shares (Note 1)	Ratio	Book value (Note 3)			
Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Hong Kong	Production and sale of sports and outdoor shoes	\$ 5,307,307	\$ 5,307,307	1,385,900,000	100	\$ 8,711,473	\$ 532,431	\$ 532,431	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Cambodia	Sports Leisure Outdoor Footwear Production and Sales	1,518,038	1,518,038	-	100	2,295,331	210,011	210,011	Subsidiaries
Capital Concord Enterprises Limited	Lin Wen Chih Sunstone Garment Enterprises Co., Ltd.	Cambodia	Processing and Sale of Clothing	427,675	427,675	-	91.27	203,852	(2,903)	(2,650)	Subsidiaries
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production and Sales	1,323,307	1,098,870	-	100	1,421,195	576	576	Subsidiaries
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production and Sales	1,237,692	1,165,931	-	100	1,184,361	(3,241)	(3,241)	Subsidiaries
Capital Concord Enterprises Limited	Laya Outdoor Products Limited	Hong Kong	Holding company	40,449	40,449	10,618,000	100	35,880	(1,188)	(1,188)	Subsidiaries
Capital Concord Enterprises Limited	Laya Max Trading Co., Ltd.	Taiwan	Distribution Agent and Import and Export Trade	12,395	12,395	-	100	16,409	185	115	Subsidiaries
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	184,611	184,611	-	100	184,552	170	170	Subsidiaries

Note 1: The company was established as a limited company with no shares issued.

Note 2: The historical exchange rate was adopted.

Note 3: In Q2 2020, the exchange rates for assets and profit or loss were USD:NTD=29.63 and USD:NTD=30.0004, respectively.

For the six months ended June 30, 2020

(Unless Otherwise Specified)

Investee Company in China	Main Businesses	Paid-in Capital (Note 3)	Investment Method (Note 2)	Accumulated	Amount of investment		Amount remitted	Net income (loss) of the investee in the current period	Ownership held by the Company	Investment income (loss) recognize in the current period (Note 4)	Book value of investments in Mainland China for the year ended (Note 4)	Accumulated	Note
				Amount Remitted from Taiwan to Mainland China, as of beginning of period (Note 5)	remitted or recovered in current period (Note 5)	Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended (Note 5)	investment income remitted back to Taiwan for the year ended						
Fujian Sunshine Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	\$ 723,826	2	\$ -	\$ -	\$ -	\$ -	\$ 14,604	100	57,537	\$ 2,108,229	\$ -	Note 1
Hubei Sunsmile Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	1,825,033	2	-	-	-	-	11,340	100	21,449	1,740,385	-	
Sunny Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	130,680	2	-	-	-	-	17,776	100	17,776	412,861	-	
Fujian Laya Outdoor Products Co., Ltd.	Distribution Agent and Import and Export Trade	40,656	2	-	-	-	-	23,767	100	32,684	239,131	-	
Fujian La Sportiva Co., Ltd.	Distribution Agent and Import and Export Trade	67,148	2	-	-	-	-	(1,956)	60	(1,174)	34,634	-	

Note 5: The Company was established on the Cayman Islands, which is not subject to the limits on the principle limit in the “Principles for Conducting Investment or Technical Cooperation” of the Ministry of Economic Affairs. The Group has re-funded the investment in the amount of NT\$2,605,976,000 through re-investment in Hong Kong.

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

Information of major shareholders

June 30, 2020

Appendix Table 9

Name of Major Shareholder	Shares	
	Number of shares	Percentage of Ownership(%)
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank	22,379,009	12.77
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	20,070,372	11.45
Fubon Life Assurance Co., Ltd	10,575,000	6.03

Note: If the company applies to The Taiwan Depository & Clearing Corporation to obtain the information, the following items may be explained in the note of this form:

- (1) The information of major shareholders presented in this table is provided by the Taiwan Depository & Clearing Corporation based on the number of ordinary shares and preferred shares held by shareholders with ownership of 5% or greater, that have been issued without physical registration (included treasury shares) by the Company as of the last business day for the current quarter. The share capital in consolidated financial report may differ from the actual number of shares that have been issued without physical registration because of different preparation basis.
- (2) As table above, the shareholder who delivers the shares to the trust is disclosed by the individual trustee who opened the trust account. In accordance with the Securities Exchange Act, the shareholders have to disclose the insider equity more than 10% of the shares, include their own shares and their delivery to the trust and have the right to make decisions on the trust property. Information on insider equity declaration is available on the Market Observation Post System website.