

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

Address: Ugland House, Grand Cayman, KY 1-1104, Cayman  
Islands  
Telephone: (886)-5-5514619

## Independent Auditors' Review Report

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

### Introduction

We have reviewed the accompanying consolidated balance sheet of Fulgent Sun International (Holding) Co., Ltd. and its subsidiaries (collectively, the "Group") as of September 30, 2020 and 2019, the consolidated statements of comprehensive income for the three months and nine months ended September 30, 2020 and 2019, the consolidated statements of changes in equity and cash flows for the nine 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 September 30, 2020 and 2019, and of its consolidated financial performance for the nine months ended September 30, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the nine 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

November 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 September 30, 2020 and 2019

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

Assets			Note	September 30, 2020		December 31, 2019		September 30, 2019			
				Amount	%	Amount	%	Amount	%		
Current assets											
1100	Cash and cash equivalents	6 (A)	\$	2,080,036	15	\$	1,373,474	10	\$	1,313,559	11
1170	Accounts receivable, net	6 (C)		2,170,699	16		2,329,423	18		2,041,193	16
1200	Other receivables			153,982	1		222,416	2		177,931	1
130X	Inventories	6 (D)		2,136,142	15		2,142,441	16		2,115,360	17
1410	Prepayments			109,590	1		103,763	1		85,744	1
1470	Other current assets	6 (G) and 8		96,051	1		98,000	1		74,139	1
11XX	Total current assets			6,746,500	49		6,269,517	48		5,807,926	47
Non-current assets											
1510	Non-current financial assets at fair value through profit or loss	6 (B)		6,036	-		4,654	-		2,573	-
1600	Property, plant and equipment	6 (E) and 8		5,800,605	42		5,727,356	44		5,618,643	45
1755	Right-of-use assets	6 (F)		872,384	6		775,909	6		798,226	7
1780	Intangible assets			14,034	-		16,242	-		17,404	-
1840	Deferred tax assets	6 (W)		51,647	1		55,020	1		51,316	-
1900	Other non-current assets	6 (G) and 8		281,777	2		140,469	1		139,600	1
15XX	Total non-current assets			7,026,483	51		6,719,650	52		6,627,762	53
1XXX	Total assets		\$	13,772,983	100	\$	12,989,167	100	\$	12,435,688	100

(Continued)

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

As of September 30, 2020 and 2019

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

Liabilities and Equity		Note	September 30, 2020		December 31, 2019		September 30, 2019	
			Amount	%	Amount	%	Amount	%
<b>Current liabilities</b>								
2100	Current borrowings	6 (H) and 8	\$ 1,542,850	11	\$ 1,669,050	13	\$ 1,265,400	10
2110	Short-term notes and bills payable		-	-	-	-	89,998	1
2130	Current contract liabilities	6 (Q)	47,212	-	28,538	-	10,134	-
2170	Accounts payable		1,488,219	11	1,393,220	11	1,263,890	10
2200	Other payables	6 (I)	776,276	6	880,558	7	960,482	8
2230	Current tax liabilities	6 (W)	103,708	1	85,281	-	88,032	1
2280	Current lease liabilities		38,213	-	29,073	-	33,896	-
2300	Other current liabilities		15,183	-	12,446	-	15,138	-
21XX	<b>Total current liabilities</b>		<u>4,011,661</u>	<u>29</u>	<u>4,098,166</u>	<u>31</u>	<u>3,726,970</u>	<u>30</u>
<b>Non-current liabilities:</b>								
2500	Non-current financial liabilities at fair value through profit or loss	6 (B)	750	-	-	-	-	-
2530	Bonds payable	6 (J)	482,780	3	69,780	-	241,176	2
2570	Deferred tax liabilities	6 (W)	893	-	1,981	-	3,248	-
2580	Non-current lease liabilities		425,329	3	333,188	3	347,206	3
2600	Other non-current liabilities	6 (K)	208,294	2	212,342	2	215,586	1
25XX	<b>Total non-current liabilities</b>		<u>1,118,046</u>	<u>8</u>	<u>617,291</u>	<u>5</u>	<u>807,216</u>	<u>6</u>
2XXX	<b>Total liabilities</b>		<u>5,129,707</u>	<u>37</u>	<u>4,715,457</u>	<u>36</u>	<u>4,534,186</u>	<u>36</u>
<b>Equity attributable to owners of the parent company</b>								
<b>Share capital</b>		6 (N)						
3110	Ordinary share		1,761,846	13	1,747,566	14	1,713,395	14
3140	Advance receipts for share capital		675,000	5	-	-	-	-
<b>Capital surplus</b>		6 (O)						
3200	Capital surplus		4,608,676	33	4,459,672	34	4,322,187	35
<b>Retained earnings</b>		6 (P)						
3310	Legal reserve		549,075	4	421,155	3	421,155	3
3320	Special reserve		683,175	5	420,541	3	420,541	3
3350	Unappropriated retained earnings		1,220,546	9	1,863,461	15	1,492,043	12
<b>Other equity</b>								
3400	Other equity interest		( 839,806)	( 6)	( 683,175)	( 5)	( 513,654)	( 4)
3500	<b>Treasury shares</b>	6 (N)	( 57,583)	-	-	-	-	-
31XX	<b>Total equity attributable to owners of parent</b>		<u>8,600,929</u>	<u>63</u>	<u>8,229,220</u>	<u>64</u>	<u>7,855,667</u>	<u>63</u>
36XX	<b>Non-controlling interests</b>		<u>42,347</u>	<u>-</u>	<u>44,490</u>	<u>-</u>	<u>45,835</u>	<u>1</u>
3XXX	<b>Total equity</b>		<u>8,643,276</u>	<u>63</u>	<u>8,273,710</u>	<u>64</u>	<u>7,901,502</u>	<u>64</u>
<b>Significant contingent liabilities and unrecognized contractual commitments</b>		9						
<b>Significant events after the reporting period</b>		11						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 13,772,983</u>	<u>100</u>	<u>\$ 12,989,167</u>	<u>100</u>	<u>\$ 12,435,688</u>	<u>100</u>

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards  
 Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries  
 Consolidated Statements of Comprehensive Income  
 For the nine months ended September 30, 2020 and 2019  
 (Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Common Share)

Item	Note	From July 1 to September 30, 2020		From July 1 to September 30, 2019		From January 1 to September 30, 2020		From January 1 to September 30, 2019	
		Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue</b>	6(Q)	\$ 3,217,219	100	\$ 3,449,635	100	\$ 8,366,414	100	\$ 9,381,623	100
5000 <b>Operating costs</b>	6(D)	( 2,570,856)	( 80)	( 2,776,231)	( 80)	( 6,586,489)	( 79)	( 7,667,907)	( 82)
5950 <b>Gross profit from operations</b>		<u>646,363</u>	<u>20</u>	<u>673,404</u>	<u>20</u>	<u>1,779,925</u>	<u>21</u>	<u>1,713,716</u>	<u>18</u>
<b>Operating expenses</b>	6(V)								
6100 Selling expenses		( 49,605)	( 2)	( 75,771)	( 2)	( 161,742)	( 2)	( 165,402)	( 2)
6200 Administrative expenses		( 224,986)	( 7)	( 182,209)	( 6)	( 574,722)	( 7)	( 519,533)	( 5)
6300 Research and Development expenses		( 39,995)	( 1)	( 37,671)	( 1)	( 122,896)	( 1)	( 102,774)	( 1)
6000 <b>Total operating expenses</b>		<u>( 314,586)</u>	<u>( 10)</u>	<u>( 295,651)</u>	<u>( 9)</u>	<u>( 859,360)</u>	<u>( 10)</u>	<u>( 787,709)</u>	<u>( 8)</u>
6900 <b>Net operating income</b>		<u>331,777</u>	<u>10</u>	<u>377,753</u>	<u>11</u>	<u>920,565</u>	<u>11</u>	<u>926,007</u>	<u>10</u>
<b>Non-operating income and expenses</b>									
7100 Interest income	6(R)	2,337	-	4,138	-	7,383	-	9,292	-
7010 Other income	6(S)	10,450	1	11,527	-	40,834	-	43,755	-
7020 Other gains and losses	6(T)	( 122,481)	( 4)	98,210	3	( 121,193)	( 1)	111,873	1
7050 Finance costs	6(U)	( 5,516)	-	( 11,631)	-	( 19,898)	-	( 30,257)	-
7000 <b>Total non-operating income and expenses</b>		<u>( 115,210)</u>	<u>( 3)</u>	<u>102,244</u>	<u>3</u>	<u>( 92,874)</u>	<u>( 1)</u>	<u>134,663</u>	<u>1</u>
7900 <b>Profit from continuing operations before tax</b>		216,567	7	479,997	14	827,691	10	1,060,670	11
7950 Tax expenses	6(W)	( 32,259)	( 1)	( 74,969)	( 2)	( 118,353)	( 1)	( 155,211)	( 1)
8200 <b>Profit</b>		<u>\$ 184,308</u>	<u>6</u>	<u>\$ 405,028</u>	<u>12</u>	<u>\$ 709,338</u>	<u>9</u>	<u>\$ 905,459</u>	<u>10</u>
<b>Other comprehensive income (loss), net</b>									
<b>Items that may be reclassified subsequently to profit or loss</b>									
8361 Exchange differences on translation		\$ 12,906	-	( \$ 171,077)	( 5)	( \$ 157,414)	( 2)	( \$ 93,973)	( 1)
8300 <b>Other comprehensive income (loss), net</b>		<u>\$ 12,906</u>	<u>-</u>	<u>( \$ 171,077)</u>	<u>( 5)</u>	<u>( \$ 157,414)</u>	<u>( 2)</u>	<u>( \$ 93,973)</u>	<u>( 1)</u>
8500 <b>Total comprehensive income</b>		<u>\$ 197,214</u>	<u>6</u>	<u>\$ 233,951</u>	<u>7</u>	<u>\$ 551,924</u>	<u>7</u>	<u>\$ 811,486</u>	<u>9</u>
<b>Profit attributable to:</b>									
8610 Owners of the parent		<u>\$ 184,632</u>	<u>6</u>	<u>\$ 405,763</u>	<u>12</u>	<u>\$ 710,698</u>	<u>9</u>	<u>\$ 907,777</u>	<u>10</u>
8620 Non-controlling interests		<u>( \$ 324)</u>	<u>-</u>	<u>( \$ 735)</u>	<u>-</u>	<u>( \$ 1,360)</u>	<u>-</u>	<u>( \$ 2,318)</u>	<u>-</u>
<b>Comprehensive income attributable to:</b>									
8710 Owners of the parent		<u>\$ 197,455</u>	<u>6</u>	<u>\$ 235,673</u>	<u>7</u>	<u>\$ 554,067</u>	<u>7</u>	<u>\$ 814,664</u>	<u>9</u>
8720 Non-controlling interests		<u>( \$ 241)</u>	<u>-</u>	<u>( \$ 1,722)</u>	<u>-</u>	<u>( \$ 2,143)</u>	<u>-</u>	<u>( \$ 3,178)</u>	<u>-</u>
<b>Basic earnings per share</b>	6(X)								
9750 <b>Total basic earnings per share</b>		<u>\$ 1.05</u>		<u>\$ 2.44</u>		<u>\$ 4.06</u>		<u>\$ 5.65</u>	
<b>Diluted earnings per share</b>									
9850 <b>Total diluted earnings per share</b>		<u>\$ 1.04</u>		<u>\$ 2.31</u>		<u>\$ 4.03</u>		<u>\$ 5.20</u>	

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

Note	Equity attributable to owners of parent										
	Share capital			Retained earnings			Exchange differences on translation of foreign financial statements	Treasury shares	Total	Non-controlling interests	Total Equity
	Ordinary share	Advance receipts for share capital	Capital surplus	Legal reserve	Special reserve	Unappropriated retained 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	-	-	-	-	-	907,777	-	-	907,777	( 2,318 )	905,459
Other comprehensive income	-	-	-	-	-	-	( 93,113 )	-	( 93,113 )	( 860 )	( 93,973 )
Total comprehensive income (loss)	-	-	-	-	-	907,777	( 93,113 )	-	814,664	( 3,178 )	811,486
Appropriations of retained earnings	6(P)										
Legal reserve appropriated	-	-	-	74,300	-	( 74,300 )	-	-	-	-	-
Special reserve appropriated	-	-	-	-	( 25,593 )	25,593	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	( 588,178 )	-	-	( 588,178 )	-	( 588,178 )
Issue of shares	6(N)(O)	60,000	( 65,886 )	168,427	-	-	-	-	162,541	-	162,541
Conversion of convertible bonds	6(J)(O) (Y)	190,660	-	776,640	-	-	-	-	967,300	-	967,300
Changes in non-controlling interests		-	-	-	-	-	-	-	-	10,737	10,737
Balance at September 30, 2019	\$ 1,713,395	\$ -	\$ 4,322,187	\$ 421,155	\$ 420,541	\$ 1,492,043	( \$ 513,654 )	\$ -	\$ 7,855,667	\$ 45,835	\$ 7,901,502
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	-	-	-	-	-	710,698	-	-	710,698	( 1,360 )	709,338
Other comprehensive income	-	-	-	-	-	-	( 156,631 )	-	( 156,631 )	( 783 )	( 157,414 )
Total comprehensive income (loss)	-	-	-	-	-	710,698	( 156,631 )	-	554,067	( 2,143 )	551,924
Appropriation of retained earnings	6(P)										
Legal reserve appropriated	-	-	-	127,920	-	( 127,920 )	-	-	-	-	-
Special reserve appropriated	-	-	-	-	262,634	( 262,634 )	-	-	-	-	-
Cash dividends of ordinary shares	-	-	-	-	-	( 963,059 )	-	-	( 963,059 )	-	( 963,059 )
Issue of shares	6(M) (O)	-	675,000	45,570	-	-	-	-	720,570	-	720,570
Due to recognition of equity component of convertible bonds issued	6(J) (O)	-	-	48,201	-	-	-	-	48,201	-	48,201
Conversion of convertible bonds	6(J)(O) (Y)	14,280	-	55,233	-	-	-	-	69,513	-	69,513
Purchase of treasury shares	6(N)	-	-	-	-	-	-	( 57,583 )	( 57,583 )	-	( 57,583 )
Balance at September 30, 2020	\$ 1,761,846	\$ 675,000	\$4,608,676	\$ 549,075	\$ 683,175	\$1,220,546	( \$ 839,806 )	( \$ 57,583 )	\$ 8,600,929	\$ 42,347	\$ 8,643,276

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards  
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows (CONT'D)  
For the nine months ended September 30, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Note	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 827,691	\$ 1,060,670
Adjustments			
Adjustments to reconcile profit and loss			
Net gain on financial assets or liabilities at fair value through profit and loss	6(B)(T)	( 1,031 )	( 6,619 )
Depreciation expense	6(E)(F)(V)	515,592	456,702
Amortization expense	6(V)	29,899	27,229
Expected credit loss (gain)	12(B)	( 3,648 )	5,472
Loss on disposal of property, plant and equipment	6(T)	7,610	2,430
Interest income	6(R)	( 7,383 )	( 9,292 )
Interest expenses	6(U)	19,898	30,257
Share-based payments	6(M)	45,570	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Accounts receivable		103,224	106,122
Other receivables		69,616	33,902
Inventories	(	43,890 )	( 256,443 )
Prepayments		15,167	( 10,133 )
Other current assets		107	( 12,060 )
Changes in operating liabilities			
Contract liability		19,910	( 17,671 )
Accounts payable		121,665	266,706
Other payables	(	14,869 )	8,673
Other current liabilities		3,005	1,584
Other non-current liabilities	(	2,267 )	( 2,316 )
Cash inflow generated from operating		1,705,866	1,685,213
Interest received		7,238	8,737
Interest paid	(	15,784 )	( 21,321 )
Income tax paid	(	123,034 )	( 152,674 )
Net cash flows from operating activities		1,574,286	1,519,955

(Continued)



(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards  
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows (CONT'D)  
For the nine months ended September 30, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Note	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
<u>Cash flows from investing activities</u>			
Increase in other financial assets		( \$ 925 )	( \$ 43,500 )
Acquisition of property, plant and equipment	6(Y)	( 923,250 )	( 1,108,948 )
Proceeds from disposal of property, plant and equipment		1,342	5,450
Acquisition of use-of-right assets	6(F)	( 1,421 )	( 24,007 )
Acquisition of intangible assets		( 771 )	( 3,000 )
Increase in other non-current assets		( 31,287 )	( 40,577 )
(Increase) decrease in refundable deposits		( 168 )	339
Net cash flows used in investing activities		( 956,480 )	( 1,214,243 )
<u>Cash flows from financing activities</u>			
(Decrease) increase in short-term loans	6(Z)	( 78,924 )	179,649
Increase in short-term notes payable	6(Z)	-	89,998
Proceeds from long-term debt	6(Z)	-	160,669
Repayments of long-term debt	6(Z)	-	( 170,775 )
Payments of lease liabilities	6(F) (Z)	( 37,443 )	( 33,395 )
Proceeds from issuing convertible bonds	6(Z)	532,744	-
Repayments of convertible bonds	6(J) (Z)	-	( 5,300 )
Cash dividends paid	6(P)	( 963,059 )	( 588,178 )
Proceeds from issuing shares	6(N)	-	165,114
Advance receipts from issuing shares	6(N)	675,000	-
Payments to acquire treasury shares	6(N)	( 57,583 )	-
Change in non-controlling interests		-	10,737
Net cash flows from (used in) financing activities		70,735	( 191,481 )
Effect of exchange rate changes		18,021	( 113,745 )
Net increase in cash and cash equivalents		706,562	486
Cash and cash equivalents at beginning of period		1,373,474	1,313,073
Cash and cash equivalents at end of period		\$ 2,080,036	\$ 1,313,559

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  
Notes to the Consolidated Financial Statements  
September 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 November 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 (Note)

Note: The FSC allowed applying in advance on January 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

The following table lists the criteria and interpretations for the new issuance, revision and amendment of the IFRS as accredited by FSC in 2021.

<u>New/Revised/Amended Standards and Interpretations</u>
Amendments to IFRS 4 "Extension of the Temporary Exemption from Applying IFRS 9"

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 lists the criteria and interpretations 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 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
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 “Interest Rate Benchmark Reform - Phase 2”	January 1, 2021

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

#### 4. Summary of Significant Accounting Policies

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		
			September 30, 2020	December 31, 2019	September 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

	September 30, 2020	December 31, 2019	September 30, 2019
Cash on hand and revolving funds	\$ 4,342	\$ 6,644	\$ 4,295
Checking deposits & demand deposits	1,646,158	1,055,034	994,052
Time deposits	429,536	311,796	315,212
Total	<u>\$ 2,080,036</u>	<u>\$ 1,373,474</u>	<u>\$ 1,313,559</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 September 30, 2020, December 31, 2019 and September 30, 2019, the amounts were \$42,690, \$43,050 and \$43,500, respectively.
- (3) For the restricted bank deposits, please refer to note 6 (G) for the details.

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

Item	September 30, 2020	December 31, 2019	September 30, 2019
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
- Listed company stock	\$ 6,035	\$ 4,626	\$ 2,327
Financial assets designated at fair value through profit or loss			
- Convertible bonds redemption and sale rights	1	28	246
Total	<u>\$ 6,036</u>	<u>\$ 4,654</u>	<u>\$ 2,573</u>

Item	September 30, 2020	December 31, 2019	September 30, 2019
Financial liabilities designated at fair value through profit or loss			
- Convertible bonds redemption and sale rights	(\$ 750 )	\$ -	\$ -

- (1) The convertible bonds that the Group held the right to redeem and sell for the three months ended September 30, 2020 and 2019, with recognized gains and (losses) were \$(502) and \$81, respectively. For the nine months ended September 30, 2020 and 2019, with recognized gains and (losses) were \$(378) and \$6,146, respectively.
- (2) The shares of listed OTC companies that the Group held for the three months ended September 30, 2020 and 2019, with recognized gains and (losses) were \$2,363 and \$(82), respectively. For the nine months ended September 30, 2020 and 2019, with recognized gains and (losses) were \$1,409 and \$473, respectively.
- (3) The Group has not pledged financial assets to be measured at fair value through gains and losses

C. Accounts Receivable, Net

	September 30, 2020	December 31, 2019	September 30, 2019
Accounts receivable	\$ 2,175,637	\$ 2,338,138	\$ 2,050,106
Less: Allowance for impairment	( 4,938)	( 8,715)	( 8,913)
	<u>\$ 2,170,699</u>	<u>\$ 2,329,423</u>	<u>\$ 2,041,193</u>

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

	September 30, 2020	December 31, 2019	September 30, 2019
Current	\$ 2,084,292	\$ 2,265,039	\$ 1,940,957
Overdue 0 to 90 days	82,798	63,904	82,927
Overdue 91 to 180 days	2,774	553	13,104
Overdue 181 to 365 days	1,958	1,805	13,047
Over 365 days past due	3,815	6,837	71
Total	<u>\$ 2,175,637</u>	<u>\$ 2,338,138</u>	<u>\$ 2,050,106</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 of September 30, 2020, December 31, 2019 and September 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 accounts receivables are best represented on September 30, 2020, December 31, 2019 and September 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 accounts receivables.
- (4) For relevant credit risk information, please refer to Note 12(B).

D. Inventories

September 30, 2020			
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 50,948	(\$ 13,876)	\$ 37,072
Raw material	619,394	( 40,997)	578,397
Work in process	510,449	( 6,012)	504,437
Finished goods	726,227	( 25,239)	700,988
Inventory in-transit	315,248	-	315,248
Total	<u>\$ 2,222,266</u>	<u>(\$ 86,124)</u>	<u>\$ 2,136,142</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>

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

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

Item	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Inventory cost sold	\$ 2,577,278	\$ 2,769,252
Inventory valuation gain	( 5,709)	( 914)
Inventory scrap loss	-	15
Stock (gain) loss	( 244)	7,363
Recognized as expenses	( 572)	( 1,311)
Effect of exchange rate changes	103	1,826
	<u>\$ 2,570,856</u>	<u>\$ 2,776,231</u>

Item	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Inventory cost sold	\$ 6,589,111	\$ 7,670,719
Inventory valuation loss (gain)	1,453	( 9,579)
Inventory scrap loss	69	207
Stock (gain) loss	( 4,081)	7,993
Recognized as expenses	( 1,897)	( 2,380)
Effect of exchange rate changes	1,834	947
	<u>\$ 6,586,489</u>	<u>\$ 7,667,907</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 nine months ended September 30, 2020 and 2019.

E. Property, Plant and Equipment

For the Nine Months Ended September 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	\$ 626	\$ -	\$ 3,079	(\$ 8,742)	\$ 289,789
Buildings	3,536,434	140,063	( 19,441)	461,965	( 81,949)	4,037,072
Machinery equipment	3,066,318	227,197	( 86,007)	83,314	( 37,169)	3,253,653
Transportation equipment	98,181	15,020	( 4,280)	( 30,254)	( 1,626)	77,041
Office equipment	41,732	2,346	( 4,407)	242	1,363	41,276
Others	1,315,524	126,539	( 89,409)	44,849	27,361	1,424,864
Construction in progress and to-be-inspected equipment	630,715	103,315	-	( 506,163)	( 9,441)	218,426
	<u>\$ 8,983,730</u>	<u>\$ 615,106</u>	<u>(\$ 203,544)</u>	<u>\$ 57,032</u>	<u>(\$ 110,203)</u>	<u>\$ 9,342,121</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)	( \$ 125,455)	\$ 15,769	\$ -	\$ 14,986	( \$ 1,097,098)
Machinery equipment	( 1,328,739)	( 186,765)	82,983	-	5,934	( 1,426,587)
Transportation equipment	( 59,332)	( 5,581)	4,280	-	873	( 59,760)
Office equipment	( 35,106)	( 2,333)	4,387	-	( 910)	( 33,962)
Others	( 830,799)	( 163,415)	87,173	-	( 17,068)	( 924,109)
	<u>( \$ 3,256,374)</u>	<u>(\$ 483,549)</u>	<u>\$ 194,592</u>	<u>\$ -</u>	<u>\$ 3,815</u>	<u>( \$ 3,541,516)</u>
	<u>\$ 5,727,356</u>					<u>\$ 5,800,605</u>



For the Nine Months Ended September 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	\$ -	\$ -	\$ -	\$ 3,197	\$ 305,251
Buildings	3,214,325	114,959	( 440)	145,915	( 28,430)	3,446,329
Machinery equipment	2,483,953	398,350	( 45,710)	181,645	( 26,292)	2,991,946
Transportation equipment	92,163	4,899	( 690)	-	( 209)	96,163
Office equipment	40,590	2,346	( 606)	537	( 571)	42,296
Others	1,188,306	87,606	( 21,820)	40,129	( 5,199)	1,289,022
Construction in progress and to-be-inspected equipment	521,341	477,194	-	( 332,942)	4,356	669,949
	<u>\$ 7,842,732</u>	<u>\$ 1,085,354</u>	<u>( \$ 69,266)</u>	<u>\$ 35,284</u>	<u>( \$ 53,148)</u>	<u>\$ 8,840,956</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)	( \$ 112,062)	\$ 416	\$ -	\$ 18,335	( \$ 980,778)
Machinery equipment	( 1,232,709)	( 166,756)	37,860	27	25,236	( 1,336,342)
Transportation equipment	( 55,023)	( 6,251)	690	-	321	( 60,263)
Office equipment	( 34,599)	( 1,719)	606	( 27)	613	( 35,126)
Others	( 702,665)	( 137,079)	21,814	-	8,126	( 809,804)
	<u>( \$ 2,912,463)</u>	<u>( \$ 423,867)</u>	<u>\$ 61,386</u>	<u>\$ -</u>	<u>\$ 52,631</u>	<u>( \$ 3,222,313)</u>
	<u>\$ 4,930,269</u>					<u>\$ 5,618,643</u>

As of September 30, 2020, December 31, 2019 and September 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:

	September 30, 2020	December 31, 2019	September 30, 2019
	<u>Carrying amount</u>	<u>Carrying amount</u>	<u>Carrying amount</u>
Land	\$ 511,781	\$ 576,970	\$ 600,535
Buildings	360,603	198,912	197,621
Transportation Equipment (company car)	-	27	70
	<u>\$ 872,384</u>	<u>\$ 775,909</u>	<u>\$ 798,226</u>

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 4,760	\$ 7,622
Buildings	5,910	3,202
Transportation Equipment (company car)	-	41
	<u>\$ 10,670</u>	<u>\$ 10,865</u>

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
	<u>Depreciation</u>	<u>Depreciation</u>
Land	\$ 16,967	\$ 26,620
Buildings	15,035	6,091
Transportation Equipment (company car)	41	124
	<u>\$ 32,043</u>	<u>\$ 32,835</u>

- (3) The Group's right-of-use assets for the three months ended September 30, 2020 and 2019, with increased to \$1,590 and \$12,554, respectively. For the nine months ended September 30, 2020 and 2019, with increased to \$184,240 and \$173,088, respectively.
- (4) The profit and loss item related to the lease contract is as follows:

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Items affecting current profit and loss:		
Interest expense on lease liability	\$ 1,114	\$ 867
Cost relates to short-term lease contract	945	533

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Items affecting current profit and loss:		
Interest expense on lease liability	\$ 3,100	\$ 2,147
Cost relates to short-term lease contract	1,454	1,215

(5) The Group's lease cash outflow for the nine months ended September 30, 2020 and 2019 were \$38,897 and \$58,617, respectively.

G. Other Current Assets and Other Non-Current Assets

Item	September 30, 2020	December 31, 2019	September 30, 2019
Current:			
Restricted bank deposit	\$ 19,226	\$ 19,805	\$ -
Time deposits	42,690	43,050	43,500
Others	34,135	35,145	30,639
Total	<u>\$ 96,051</u>	<u>\$ 98,000</u>	<u>\$ 74,139</u>
Non-current:			
Prepaid for land and equipment	\$ 229,957	\$ 57,686	\$ 85,879
Refundable deposits	4,895	4,821	4,910
Others	46,925	77,962	48,811
Total	<u>\$ 281,777</u>	<u>\$ 140,469</u>	<u>\$ 139,600</u>

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

H. Current Borrowings

Loan Type	September 30, 2020	Interest rate range	Collateral
Credit loans	<u>\$ 1,542,850</u>	0.580%~0.755%	Note
Loan Type	December 31, 2019	Interest rate range	Collateral
Credit loans	<u>\$ 1,669,050</u>	0.730%~2.260%	Note
Loan Type	September 30, 2019	Interest rate range	Collateral
Credit loans	<u>\$ 1,265,400</u>	0.690%~2.520%	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

	September 30, 2020	December 31, 2019	September 30, 2019
Accrued salaries	\$ 452,196	\$ 493,937	\$ 443,325
Payables on equipment	192,047	270,888	312,857
Others	132,033	115,733	204,300
Total	<u>\$ 776,276</u>	<u>\$ 880,558</u>	<u>\$ 960,482</u>

## J. Bonds Payable

	September 30, 2020	December 31, 2019	September 30, 2019
The 4th domestic unsecured convertible corporate bonds	\$ 500	\$ 71,100	\$ 246,400
The 5th domestic unsecured convertible corporate bonds	500,000	-	-
Less: discount on bonds payable	( 17,720)	( 1,320)	( 5,224)
Total	<u>\$ 482,780</u>	<u>\$ 69,780</u>	<u>\$ 241,176</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 bonds were issued for 3 years and circulated from October 2, 2018 to October 2, 2021. When the convertible bonds matured, they will be repaid in cash at the face value of the bonds. The convertible bonds were listed at Taipei Exchange on October 2, 2018.
  - ii. The convertible bonds 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 bonds holder are the same as those of the original common stock.
  - iii. The conversion price of the convertible bonds was set at NT\$54.5 per share at the time of issuance, and the conversion price of the convertible bonds was 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 bonds are issued by two full years, the bonds holders may require the Company to redeem the convertible bonds in cash at 101.0025% of the face value of the bonds.
  - v. When the convertible bonds are 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 bonds 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 bonds are 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 bonds will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.
- (b) As of September 30, 2020, the convertible bonds denomination \$999,500 have been converted to 19,246 thousand shares of common stock. After the issuance of the convertible bonds, when the common stocks issued by the Company have increased or pay out cash dividends, the company shall adjust the conversion price of this bonds by the ratio of cash dividends per share to the current price of the common stock on the ex-dividend record date in accordance with the provisions of the terms of issue, current conversion price of the convertible bonds is NT\$48.7 per share.
  - (c) When issuing the convertible bonds, 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 September 30, 2020 was \$15. 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%.
- (2) The fifth unsecured convertible corporate bonds in the Republic of China, issued by the Board of Directors of the Company on April 30, 2020, are as follows:
    - (a) The conditions for issuing the fifth unsecured convertible corporate bonds of the Company are as follows:
      - i. With the approval of the competent authority, the Company raised and issued the 5th unsecured convertible corporate bonds in Taiwan, totaling NT\$500,000, with a par value of NT\$100,000 and a coupon interest rate of 0%. The convertible bonds were issued for 3 years and circulated from August 17, 2020 to August 17, 2023. When the convertible bonds matured, they will be repaid in cash at the face value of the bonds. The convertible bonds were listed at Taipei Exchange on August 17, 2020.
      - ii. The convertible bonds holders may at any time request the Company for conversion to its common stock from the next 3 months after the issuance of the bonds 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 bonds holders are the same as those of the original common stock.
      - iii. The conversion price of the convertible bonds was set at NT\$112 per share at the time of issuance, and the conversion price of the convertible bonds was 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 bonds are issued by two full years, the bondholder may require the Company to redeem the convertible bonds in cash at 101.0025% of the face value of the bonds.

- v. When the convertible bonds are 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 bonds are issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the balance of the convertible bonds 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 bonds will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.
- (b) As of September 30, 2020, the convertible bonds denomination \$500,000 have not yet been converted to shares of common stock. After the issuance of the convertible bonds, when the common stock issued by the Company has increased or pay out cash dividends, the company shall adjust the conversion price on the ex-dividend record date in accordance with the provisions of the terms of issue, current conversion price of the convertible bonds is NT\$112 per share.
- (c) When issuing the convertible bonds, 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 September 30, 2020 was \$48,201. 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	September 30, 2020	December 31, 2019	September 30, 2019
Non-Current:			
Deferred government grant income	\$ 118,723	\$ 122,016	\$ 124,065
Other non-current liabilities - Other	89,571	90,326	91,521
Total	<u>\$ 208,294</u>	<u>\$ 212,342</u>	<u>\$ 215,586</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 nine months ended September 30, 2020 and 2019, the above-mentioned pension measures of the Group recognized under pension were \$1,551, \$1,505, \$4,843, \$4,118, 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 nine months ended September 30, 2020 and 2019, the Group's second-tier subsidiary in China in accordance with the above-mentioned pension measures recognized under pension were \$8,966, \$15,436, \$20,872, \$49,509, respectively.
- (3) The Group's subsidiary Fulgent Sun Footwear (Vietnam) and NGOC HUNG Footwear (Vietnam) are subject to the relevant local regulations, according to the local government regulations; the pension fund for employees' retirement pension is payable on a monthly basis at a certain percentage of the total wage and paid to the relevant competent authorities. The Group has no further obligation except monthly payment. For the three months and nine months ended September 30, 2020 and 2019, the above-mentioned pension measures of the Group recognized under pension were \$28,654 \$25,951, \$85,620, \$71,478, respectively.

M. Share-based payment

1. For the nine months ended September 30, 2020 and 2019, the Group's share-based payment transaction were as follows:

Type of agreement	Grant date	Quantity (thousand shares)	Contract period	Vesting Conditions
Share issuance reserved for employee subscription	2020.08.04	1,500 units	-	Vested immediately

2. For the share-based payment transaction granted by the Group, its fair value on the grant date is estimated using the Black-Scholes option-pricing model. The weighted-average parameters used in the estimation of the fair value are as follows:

Type of agreement	Grant date	Share price	Exercise price	Expected price volatility (Note)	Expected lifetime	Expected dividends	Risk-free interest rate	Unit: NT\$ Fair value per unit
Share issuance reserved for employee subscription	2020.08.04	\$ 105	\$ 75	52.58%	0.15 years	-	0.24%	\$ 30.38

Note: Price volatility refers to the volatility of stock prices in the coming period and is calculated based on the standard deviation of stock returns over a specific period.

3. The expense arising from the share-based payment transaction is as follows:

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Equity delivery	\$ 45,570	\$ -
	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Equity delivery	\$ 45,570	\$ -

#### N. Share Capital

- (1) On August 6, 2018, the Company adopted a cash capital increase plan by the Board of Directors, which issued 6,000 thousands common stock with cash capital increase and declared to the FSC on September 7, 2018; the issue price was \$38.5 per share, the base date of capital increase was January 11, 2019, and the amount raised was \$231,000. The shares were respectively charged \$65,886 and \$165,114 in December 2018 and January 2019.
- (2) On September 30, 2020, the Company's rated capital was \$3,000,000, divided into 300 million shares, the paid in capital was \$1,761,846, 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:

	2020	Unit: Thousand Shares 2019
January 1	174,757	146,274
Share issuance	-	6,000
Convertible bonds execution conversion	1,428	19,066
Treasury shares purchase	( 660)	-
September 30	175,525	171,340

#### (3) Treasury Shares

- (a) Reason and quantity of share purchase:

Name of the company holding the shares	Reason of purchase	September 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 shares 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.

O. Capital Surplus

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

2020				
	Issue Premium	Share Warrants	Others	Total
January 1	\$ 4,457,016	\$ 2,110	\$ 546	\$ 4,459,672
Share issuance by cash	-	45,570	-	45,570
Due to recognition of equity component of convertible bonds issued	-	48,201	-	48,201
Conversion of convertible bonds to ordinary shares	57,328 (	2,095)	-	55,233
September 30	<u>\$ 4,514,344</u>	<u>\$ 93,786</u>	<u>\$ 546</u>	<u>\$ 4,608,676</u>

  

2019				
	Issue Premium	Share Warrants	Others	Total
January 1	\$ 3,330,877	\$ 45,886	\$ 357	\$ 3,377,120
Share issuance by cash	176,158 (	7,731)	-	168,427
Conversion of convertible bonds to ordinary shares	807,295 (	30,655)	-	776,640
Stock options invalidation	- (	189 )	189	-
September 30	<u>\$ 4,314,330</u>	<u>\$ 7,311</u>	<u>\$ 546</u>	<u>\$ 4,322,187</u>

P. Retained Earnings

- (1) The Company passed the amendments to the Articles of Incorporation by resolution of the shareholders' meeting held on June 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 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.

Q. Operating Revenue

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Revenue from Contracts with Customers	\$ 3,217,219	\$ 3,449,635
	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Revenue from Contracts with Customers	\$ 8,366,414	\$ 9,381,623

(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:

	September 30, 2020	December 31, 2019	September 30, 2019	January 1, 2019
Contract liability				
- Advance sales receipts	\$ 47,212	\$ 28,538	\$ 10,134	\$ 27,619

Contract liability opening recognized income in current period

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Contract liability opening balance recognized income in current period –Advance sales receipts	\$ 1,193	\$ -

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Contract liability opening balance recognized income in current period –Advance sales receipts	\$ 26,170	\$ 27,619
<b>R. <u>Interest Income</u></b>		
	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Interest on bank deposits	\$ 2,337	\$ 4,138
	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Interest on bank deposits	\$ 7,383	\$ 9,292
<b>S. <u>Other Income</u></b>		
	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Government subsidy income	\$ 3,766	\$ 699
Other income - Other	6,684	10,828
	\$ 10,450	\$ 11,527
	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Government subsidy income	\$ 8,623	\$ 12,254
Other income - Other	32,211	31,501
	\$ 40,834	\$ 43,755
<b>T. <u>Other Gains and Losses</u></b>		
	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Disposal of property, plant and equipment losses	(\$ 859)	(\$ 1,635)
Foreign exchange (loss) gain	( 121,101)	103,463
Gain (loss) on financial assets and liabilities measured at fair value through profit and loss	1,861	( 1)
Other losses	( 2,382)	( 3,617)
	(\$ 122,481)	\$ 98,210
	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Disposal of property, plant and equipment losses	(\$ 7,610)	(\$ 2,430)
Foreign exchange (loss) gain	( 101,866)	118,247
Gain on financial assets and liabilities measured at fair value through profit and loss	1,031	6,619
Other losses	( 12,748)	( 10,563)
	(\$ 121,193)	\$ 111,873

U. Finance Costs

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Bank borrowing	\$ 3,592	\$ 9,541
Convertible bonds	810	1,223
Lease liabilities	1,114	867
	<u>\$ 5,516</u>	<u>\$ 11,631</u>

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Bank borrowing	\$ 15,688	\$ 21,453
Convertible bonds	1,110	6,657
Lease liabilities	3,100	2,147
	<u>\$ 19,898</u>	<u>\$ 30,257</u>

V. Expenses Expressed by Nature

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Employee benefits		
Salary	\$ 919,096	\$ 985,092
Labor and health insurance	29,530	29,960
Pension	39,171	42,892
Others	18,855	16,663
	<u>1,006,652</u>	<u>1,074,607</u>
Depreciation	183,541	156,307
Amortization	6,132	10,179
	<u>\$ 1,196,325</u>	<u>\$ 1,241,093</u>

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Employee benefits		
Salary	\$ 2,581,423	\$ 2,741,704
Labor and health insurance	75,824	87,406
Pension	111,335	125,105
Others	52,367	49,102
	<u>2,820,949</u>	<u>3,003,317</u>
Depreciation	515,592	456,702
Amortization	29,899	27,229
	<u>\$ 3,366,440</u>	<u>\$ 3,487,248</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 September 30, 2020 and 2019, and for the Nine months ended September 30, 2020 and 2019 were \$2,500, \$2,500, \$7,500 and \$7,500, respectively; Directors' remuneration estimates were \$2,500, \$2,500, \$7,500 and \$7,500, respectively, and the preceding amounts account for operating expenses. The above-mentioned employee bonus and directors' remuneration are assessed on the basis of the ratio set out in the Articles of Incorporation, taking into account such factors as the net profit after the current period after consideration of the legal capital reserve accumulation.

The employees' bonus and directors' remuneration of 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.

#### W. Income Tax

- (1) Income tax expense

Components of income tax expense:

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Current income tax:		
Income tax on current income	\$ 42,517	\$ 68,651
(Overestimated)		
underestimated income tax in prior periods	( 14,798 )	16
Total current income tax	27,719	68,667
Deferred income tax:		
The primitive generation and turn of temporary differences	4,540	6,302
Total deferred income tax	4,540	6,302
Income tax expenses	\$ 32,259	\$ 74,969

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Current income tax:		
Income tax on current income	\$ 129,260	\$ 146,285
Overestimated income tax in prior periods	( 13,192 )	( 1,793 )
Total current income tax	116,068	144,492
Deferred income tax:		
The primitive generation and turn of temporary differences	2,285	10,719
Total deferred income tax	2,285	10,719
Income tax expenses	\$ 118,353	\$ 155,211

- (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.

X. Earnings Per Share (NT\$)

For the Three Months Ended September 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	\$ 184,632	175,068	\$ 1.05
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	184,632	175,068	
Effect of dilutive potential ordinary shares			
Convertible bonds	810	2,699	
Employee bonus	-	70	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 185,442	177,837	\$ 1.04
For the Three Months Ended September 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	\$ 405,763	166,395	\$ 2.44
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	405,763	166,395	
Effect of dilutive potential ordinary shares			
Convertible bonds	1,223	9,748	
Employee bonus	-	86	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 406,986	176,229	\$ 2.31
For the Nine Months Ended September 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	\$ 710,698	174,883	\$ 4.06
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	710,698	174,883	
Effect of dilutive potential ordinary shares			
Convertible bonds	1,110	1,651	
Employee bonus	-	130	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 711,808	176,664	\$ 4.03

	For the Nine Months Ended September 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	\$ 907,777	160,557	\$ 5.65
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	907,777	160,557	
Effect of dilutive potential ordinary shares			
Convertible bonds	6,657	15,256	
Employee bonus	-	177	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 914,434	175,990	\$ 5.20

Y. Supplementary Information on Cash Flow

(1) Investing activities with partial cash payments:

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Additions to property, plant and equipment	\$ 672,138	\$ 1,120,638
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	229,957	85,879
Add: Payables for equipment at the beginning of the period	270,888	267,378
Less: Payables for equipment at the end of the period	( 192,047 )	( 312,857 )
Cash paid in the period	\$ 923,250	\$ 1,108,948

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

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Share capital converted from convertible bonds	\$ 14,280	\$ 190,660



## Z. Changes in Liabilities Arising from Financing Activities

	Long and short term loans and short-term notes	Lease liabilities	Convertible bonds	Total liabilities from financing activities
January 1, 2020	\$ 1,669,050	\$ 362,261	\$ 69,780	\$ 2,101,091
Changes in cash flows from financing	( 78,924 )	( 37,443 )	532,744	416,377
Other non-cash flows	-	150,986	( 119,744 )	31,242
Effects of exchange rate changes	( 47,276 )	( 12,262 )	-	( 59,538 )
September 30, 2020	<u>\$ 1,542,850</u>	<u>\$ 463,542</u>	<u>\$ 482,780</u>	<u>\$ 2,489,172</u>

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

Note : Including portion due within one year

## 7. Related-Party Transactions

### Key Management Compensation

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Short-term employee benefits	\$ 13,260	\$ 18,863
Share-based payment	12,334	-
	<u>\$ 25,594</u>	<u>\$ 18,863</u>
	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Short-term employee benefits	\$ 39,234	\$ 45,043
Share-based payment	12,334	-
	<u>\$ 51,568</u>	<u>\$ 45,043</u>

8. Pledged Assets

Assets	Carrying amounts			Guarantee use
	September 30, 2020	December 31, 2019	September 30, 2019	
Land	\$ 104,035	\$ 107,181	\$ 110,971	Current borrowings
Buildings	158,484	166,612	173,654	Current borrowings
Other financial assets (listed other current assets and other non-current assets)	19,617	20,208	1,891	Performance bond for power supply contract
Refundable deposits (listed other non-current assets)	4,895	4,821	4,910	Deposits for leased land and other
	<u>\$ 287,031</u>	<u>\$ 298,822</u>	<u>\$ 291,426</u>	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments  
Commitments

A. Capital expenditure contracted but not yet incurred:

	Contract Price		
	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment	<u>\$ 483,590</u>	<u>\$ 991,045</u>	<u>\$ 879,330</u>

	Unpaid Price		
	September 30, 2020	December 31, 2019	September 30, 2019
Property, plant and equipment	<u>\$ 159,430</u>	<u>\$ 451,630</u>	<u>\$ 254,260</u>

B. Outstanding letter of credit amount:

	September 30, 2020	December 31, 2019	September 30, 2019
Outstanding letter of credit	<u>\$ 16,076</u>	<u>\$ 16,548</u>	<u>\$ -</u>

10. Significant Disaster Losses

None.

11. Significant Events After The Reporting Period

The Company issued 10,000 thousand ordinary shares by cash in 2020, and decided the issue price as \$75 per share on August 4, 2020 it, the aggregate amount to be raised is \$750,000 thousand. All the funds were collected in full and the record date for cash capital increase was set as October 5, 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

	September 30, 2020	December 31, 2019	September 30, 2019
<u>Financial Assets</u>			
Financial assets at fair value through profit and loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 6,035	\$ 4,626	\$ 2,327
Financial assets designated at fair value through profit or loss	1	28	246
	<u>\$ 6,036</u>	<u>\$ 4,654</u>	<u>\$ 2,573</u>
Financial assets/loans and receivables measured at amortized cost			
Cash and cash equivalents	\$ 2,080,036	\$ 1,373,474	\$ 1,313,559
Accounts receivable	2,170,699	2,329,423	2,041,193
Other receivables	153,982	222,416	177,931
Other financial assets- Current	61,916	62,855	43,500
Refundable deposits	4,895	4,821	4,910
Other financial assets- Non-current	-	403	1,891
	<u>\$ 4,471,528</u>	<u>\$ 3,993,392</u>	<u>\$ 3,582,984</u>
<u>Financial Liabilities</u>			
Financial liabilities at fair value through profit and loss			
Financial liabilities designated at fair value through profit or loss	\$ 750	\$ -	\$ -
Financial liabilities measured at amortized cost			
Short-term loans	\$ 1,542,850	\$ 1,669,050	\$ 1,265,400
Short-term notes payable	-	-	89,998
Accounts payable	1,488,219	1,393,220	1,263,890
Other payables	776,276	880,558	960,482
Bonds payable (including maturity within one year or one operating cycle)	482,780	69,780	241,176
	<u>\$ 4,290,125</u>	<u>\$ 4,012,608</u>	<u>\$ 3,820,946</u>
Lease liabilities (current and non-current)	\$ 463,542	\$ 362,261	\$ 381,102

### (2) Risk Management Policy

- (a) The Group's financial risk management objectives are to manage exchange rate risk, price risk, interest rate risk, credit risk and liquidity risk related to its operating activities. In order to minimize the relevant financial risks, the Group is committed to identify, assess and avoid market uncertainties, so as to minimize the potential adverse effects on the financial performance of the Company.

- (b) The Group's important financial activities are reviewed by the Board of Directors and the Audit Committee according to relevant regulations and the internal control system. During the implementation of the financial plan, the Group must comply with the relevant financial operations procedures in relation to the overall financial risk management and segregation of duties.

(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:

September 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	\$ 11,731	6.8166	\$ 341,371	5%	\$ 17,069	\$ -	-
RMB: USD	55,244	0.1467	235,835	5%	11,792		-
<u>Financial Liabilities</u>							
<u>Monetary items</u>							
USD: RMB	\$ 817	6.8166	\$ 23,772	5%	\$ 1,189	\$ -	-
NTD: USD	1,243,669	0.0344	1,243,669	5%	62,183		-
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		-

September 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	\$ 10,652	7.1356	\$ 330,652	5%	\$ 16,533	\$ -
RMB: USD	55,255	0.1455	240,361	5%	12,018	-
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD: RMB	\$ 2,050	7.1356	\$ 63,633	5%	\$ 3,182	\$ -
NTD: USD	1,175,827	0.0322	1,175,827	5%	58,791	-

- iv. The Group's monetary items have a significant influence on the recognized exchange gains and (losses) for the nine months ended September 30, 2020 and 2019 due to exchange rate fluctuation (including realized and unrealized), the aggregate amount of gains and (losses) were \$(121,101), \$103,463, \$(101,866) and \$118,247, 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 nine Months ended September 30, 2020 and 2019 would increase or decrease by \$302 and \$116 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 nine months ended September 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 nine months ended September 30, 2020 and 2019 will be decreased or increased by \$926 and \$757 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 September 30, 2020, December 31, 2019 and September 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 September 30, 2020, December 31, 2019 and September 30, 2019 were as follows:

September 30, 2020	Expected loss rate	Total carrying amount	Loss allowance
Current	0.00%	\$ 2,084,292	\$ -
Overdue 0 to 90 days	0.50%	82,798	412
Overdue 91 to 180 days	4.18%	2,774	116
Overdue 181 to 365 days	30.39%	1,958	595
Over 365 days past due	100.00%	3,815	3,815
Total		<u>\$ 2,175,637</u>	<u>\$ 4,938</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>



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

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

	2020
	Accounts receivable
January 1	\$ 8,715
Reversal for Impairment loss	( 3,648)
Effect of exchange rate changes	( 129)
September 30	<u>\$ 4,938</u>
	2019
	Accounts receivable
January 1	\$ 3,630
Allowance for Impairment loss	5,472
Effect of exchange rate changes	( 189)
September 30	<u>\$ 8,913</u>

(c) Liquidity Risk

- 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.
- 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.
- As of September 30, 2020, December 31, 2019 and September 30, 2019 the Group has unused borrowing facilities of \$3,234,250, \$3,218,810 and \$3,143,440, respectively.
- The following table is the Group's non-derivative financial liabilities, classified according to the relevant maturity date; the non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date; the derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date; the amounts of contractual cash flows disclosed in the following table are the undiscounted amount.

Non-derivative financial liabilities:

September 30, 2020	Less than 6 Months	7 to 12 Months	1 to 2 years	2 to 5 years	More than 5 years
Short-term loans	\$ 1,123,950	\$ 422,646	\$ -	\$ -	-
Accounts payable	1,488,219	-	-	-	-
Other payables	756,592	19,684	-	-	-
Bonds payable	-	-	500	500,000	-
Lease liabilities	17,758	6,524	18,952	48,711	389,925

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	-	-	-
Bonds payable	-	-	71,100	-	-
Lease liabilities	19,979	12,481	28,410	64,887	263,826

Non-derivative financial liabilities:

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

### 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 bonds invested by the Group are included in Level 3.

- (2) Financial Instruments not Measured at Fair Value

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

		September 30, 2020	
			Fair Value
		Carrying amount	Level 3
Bonds payable		\$ 482,780	\$ 486,302

  

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

  

		September 30, 2019	
			Fair Value
		Carrying amount	Level 3
Bonds payable		\$ 241,176	\$ 242,159

- (b) The methods and assumptions used to estimate fair value are as follows:

Convertible bonds payable: The coupon rate of convertible bonds issued by the Group is similar to the market rate, so the fair value is measured at the discounted value of expected cash flows, which is equivalent to the carrying amount.

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

September 30, 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	\$ 6,035	\$ -	\$ -	\$ 6,035
- Redemption right of convertible bonds	-	-	1	1
Total	<u>\$ 6,035</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 6,036</u>
Liabilities				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss	\$ -	\$ -	(\$ 750)	(\$ 750)
- Redemption right of convertible bonds	<u>\$ -</u>	<u>\$ -</u>	<u>(\$ 750)</u>	<u>(\$ 750)</u>
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 bonds	-	-	28	28
Total	<u>\$ 4,626</u>	<u>\$ -</u>	<u>\$ 28</u>	<u>\$ 4,654</u>
September 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	\$ 2,327	\$ -	\$ -	\$ 2,327
- Redemption right of convertible bonds	-	-	246	246
Total	<u>\$ 2,327</u>	<u>\$ -</u>	<u>\$ 246</u>	<u>\$ 2,573</u>

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

- (a) For the Level 1 instruments which the Group used market quoted prices as their fair values and which are listed stocks by characteristics, their closing prices were used as market quoted prices.
  - (b) The cash flow expected to be received by the 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 nine months ended September 30, 2020 and 2019, there was no transfer between Level 1 and Level 2.

- (6) The following table shows the changes for the nine months ended September 30, 2020 and 2019 for Level 3:

	2020	2019
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	\$ 28	(\$ 5,500)
Gains or losses on the recognized profit or loss (Note)	( 378)	6,146
Current conversion	( 149)	( 400)
Current issue	( 250)	-
September 30	(\$ 749)	\$ 246

Note: Recognized in other gains and losses.

- (7) Evaluation process regarding fair value Level 3 is conducted by the Group's treasury, by which the independence of fair value of financial instruments is verified 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 September 30, 2020	Evaluation techniques	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	(\$ 749)	Binomial Tree Evaluation Model	Volatility	54.61%	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 September 30, 2019	Evaluation techniques	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	\$ 246	Binomial Tree Evaluation Model	Volatility	27.35%	The higher the volatility, the higher the fair value

- (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:

		September 30, 2020			
		Recognized in Profit or Loss			
	Input value	Change	Favorable change	Unfavorable change	
Financial Liabilities					
Hybrid instruments	Volatility	±5%	\$ 401	(\$ 150)	
		December 31, 2019			
		Recognized in Profit or Loss			
	Input value	Change	Favorable change	Unfavorable change	
Financial Liabilities					
Hybrid instruments	Volatility	±5%	\$ 21	(\$ 21)	
		September 30, 2019			
		Recognized in Profit or Loss			
	Input value	Change	Favorable change	Unfavorable change	
Financial Liabilities					
Hybrid instruments	Volatility	±5%	\$ 148	(\$ 148)	

### 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-subsidary and subsidiary-subsidary 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 September 30, 2020			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	\$ 3,204,751	\$ 12,468	\$ -	\$ 3,217,219
Inter-segment revenue	2,062,986	356,117	320	2,419,423
Total revenue	\$ 5,267,737	\$ 368,585	\$ 320	\$ 5,636,642
Segment profit (loss)	\$ 290,161	\$ 5,694	\$ 182,725	\$ 478,580
Segment total assets (Note)	\$ -	\$ -	\$ -	\$ -
Segment total liabilities (Note)	\$ -	\$ -	\$ -	\$ -

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

For the Nine Months Ended September 30, 2020				
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	\$ 8,344,611	\$ 21,771	\$ 32	\$ 8,366,414
Inter-segment revenue	5,667,573	831,779	975	6,500,327
Total revenue	\$ 14,012,184	\$ 853,550	\$ 1,007	\$ 14,866,741
Segment profit (loss)	\$ 816,832	\$ 37,706	\$ 706,099	\$ 1,560,637
Segment total assets (Note)	\$ -	\$ -	\$ -	\$ -
Segment total liabilities (Note)	\$ -	\$ -	\$ -	\$ -

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

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



C. Reconciliation of Segment Revenue and Profit or Loss

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

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Revenue after adjustment from reportable operating segments	\$ 5,636,322	\$ 6,455,336
Revenue after adjustment from other operating segments	320	343
Total income before tax from operating segments	5,636,642	6,455,679
Elimination of intersegment revenue	( 2,419,423 )	( 3,006,044 )
Total consolidated operating revenue	\$ 3,217,219	\$ 3,449,635

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Revenue after adjustment from reportable operating segments	\$ 14,865,734	\$ 17,129,468
Revenue after adjustment from other operating segments	1,007	1,103
Total income before tax from operating segments	14,866,741	17,130,571
Elimination of intersegment revenue	( 6,500,327 )	( 7,748,948 )
Total consolidated operating revenue	\$ 8,366,414	\$ 9,381,623

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

	For the Three Months Ended September 30, 2020	For the Three Months Ended September 30, 2019
Revenue after adjustment from reportable operating segments	\$ 295,855	\$ 505,657
Revenue after adjustment from other operating segments	182,725	403,833
Total income before tax from operating segments	478,580	909,490
Elimination of intersegment revenue	( 262,013 )	( 429,493 )
Total consolidated operating revenue	\$ 216,567	\$ 479,997

	For the Nine Months Ended September 30, 2020	For the Nine Months Ended September 30, 2019
Revenue after adjustment from reportable operating segments	\$ 854,538	\$ 1,075,357
Revenue after adjustment from other operating segments	706,099	899,163
Total income before tax from operating segments	1,560,637	1,974,520
Elimination of intersegment revenue	( 732,946 )	( 913,850 )
Total consolidated operating revenue	\$ 827,691	\$ 1,060,670

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

Loans to others

For the Nine Months Ended September 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
1	Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limite d	Other receivables	Y	\$ 449,149	\$ 438,494	\$ 438,494	1.80%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 718,492	\$ 898,116	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 Q3 2020, the exchange rates for assets and profit or loss were USD:NTD=29.10 and USD:NTD=29.8027, respectively.

Note 5: Offset in consolidated statements.

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

Provision of endorsements and guarantees to others

For the Nine Months Ended September 30, 2020

Unit NTD thousand

(Unless Otherwise Specified)

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

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

September 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) Co., Ltd.	None	Financial Assets at Fair Value through Profit or Loss - Non-current	181,774	\$ 6,035	0.61	\$ 6,035	-

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

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

Purchases or Sales of Goods from or to Related Parties Reaching NT\$100 Million or 20% of Paid-in Capital or More

For the Nine Months Ended September 30, 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	\$ 1,402,246	0.21	180 days after purchase	Note 1	Note 1	(\$ 1,460,557)	( 0.98)		Notes 2 and 3
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiaries	Purchase	613,434	0.09	90 days after purchase	Note 1	Note 1	( 472,677)	( 0.32)		Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiaries	Purchase	1,581,815	0.24	120 days after purchase	Note 1	Note 1	( 45,744)	( 0.03)		Notes 2 and 3
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiaries	Purchase	182,463	0.03	180 days after purchase	Note 1	Note 1	( 150,652)	( 0.10)		Notes 2 and 3
Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	Subsidiaries	Purchase	259,802	0.04	180 days after purchase	Note 1	Note 1	( 313,832)	( 0.21)		Notes 2 and 3
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiaries	Purchase	1,045,418	0.16	120 days after billing	Note 1	Note 1	( 119,151)	( 0.08)		Notes 2 and 3
Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	Subsidiaries	Purchase	430,867	0.07	120 days after billing	Note 1	Note 1	( 223,869)	( 0.15)		Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiaries	Sales	( 317,545)	( 0.04)	135 days after Sales	Note 1	Note 1	-	-		Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiaries	Sales	( 218,344)	( 0.03)	135 days after Sales	Note 1	Note 1	89,276	0.04		Notes 2 and 3
Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiaries	Sales	( 117,763)	( 0.01)	135 days after Sales	Note 1	Note 1	33,615	0.02		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 Q3 2020, the exchange rates for assets and profit or loss were USD:NTD=29.10 and USD:NTD=29.8027, 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

September 30, 2020

Appendix Table 5

Unit NTD thousand

(Unless Otherwise Specified)

Creditor	Name of the Counterparty	Relationship with the counterparty	Accounts receivable balance		Overdue Receivable		Amount collected subsequent to the reporting period(Note 1)	Allowance for bad debt	Note
			from related party	Turnover Rate	Amount	Actions Taken			
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	\$ 1,460,557	1.24	\$ -	-	\$ 171,810	\$ -	Notes 2 and 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	313,832	1.13	-	-	28,615	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	150,652	1.92	-	-	37,200	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	438,494	-	-	-	-	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	472,677	2.09	-	-	134,491	-	Notes 2 and 3
Fulgent Sun Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	119,151	17.62	-	-	117,165	-	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	223,869	2.40	-	-	118,065	-	Notes 2 and 3

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

Note 2: In Q3 2020, the exchange rates for assets and profit or loss were USD:NTD=29.10 and USD:NTD=29.8027, 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 Nine Months Ended September 30, 2020

Unit NTD thousand

(Unless Otherwise Specified)

Transaction Status

Percentage of consolidated total operating revenues or total assets (Note 3)

No.

(Note 1)

Name of Trading Partner

Counterparty

Relationship (Note 2)

General Ledger Account

Amount (Note 5)

Trade terms

Percentage of consolidated total operating revenues or total assets (Note 3)

1

Capital Concord Enterprises Limited

Fujian Sunshine Footwear Co., Ltd.

1

Accounts payable

1,460,557

Note 4

10.60%

1

Capital Concord Enterprises Limited

Hubei Sunsmile Footwear Co., Ltd.

1

Accounts payable

150,652

Note 4

1.09%

1

Capital Concord Enterprises Limited

Sunny Footwear Co., Ltd.

1

Accounts payable

313,832

Note 4

2.28%

1

Capital Concord Enterprises Limited

Fujian Laya Outdoor Products Co., Ltd.

1

Accounts payable

472,677

Note 4

3.43%

1

Capital Concord Enterprises Limited

NGOC Hung Footwear Co., Ltd. (Vietnam)

1

Accounts payable

223,869

Note 4

1.63%

1

Capital Concord Enterprises Limited

Hubei Sunsmile Footwear Co., Ltd.

1

Other payables

438,494

Note 4

3.18%

1

Capital Concord Enterprises Limited

Lin Wen Chih Sunbow Enterprises Co., Ltd.

1

Sales

317,545

Note 4

3.80%

1

Capital Concord Enterprises Limited

Fujian Sunshine Footwear Co., Ltd.

1

Purchase

1,402,246

Note 4

16.76%

1

Capital Concord Enterprises Limited

Hubei Sunsmile Footwear Co., Ltd.

1

Purchase

182,463

Note 4

2.18%

1

Capital Concord Enterprises Limited

Sunny Footwear Co., Ltd.

1

Purchase

259,802

Note 4

3.11%

1

Capital Concord Enterprises Limited

Fujian Laya Outdoor Products Co., Ltd.

1

Purchase

613,434

Note 4

7.33%

1

Capital Concord Enterprises Limited

Lin Wen Chih Sunbow Enterprises Co., Ltd.

1

Purchase

1,581,815

Note 4

18.91%

1

Capital Concord Enterprises Limited

Fulgent Sun Footwear Co., Ltd.

1

Purchase

1,045,418

Note 4

12.50%

1

Capital Concord Enterprises Limited

NGOC Hung Footwear Co., Ltd. (Vietnam)

1

Purchase

430,867

Note 4

5.15%

2

Fujian Laya Outdoor Products Co., Ltd.

Lin Wen Chih Sunbow Enterprises Co., Ltd.

3

Sales

218,344

Note 4

2.61%

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 Q3 2020, the exchange rates for assets and profit or loss were USD:NTD=29.10and USD:NTD=29.8027, respectively.

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

Note 7: Offset in consolidated statements



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

Information on Invested Companies (not including investee companies in Mainland China)

For the Nine Months Ended September 30, 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
				September 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	\$ 5,831,107	\$ 5,307,307	1,526,300,000	100	\$ 8,254,239	\$ 762,643	\$ 762,643	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	2,332,852	289,103	289,103	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	198,255	( 5,073)	( 4,630)	Subsidiaries
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production and Sales	1,339,656	1,098,870	-	100	1,433,864	22,838	22,838	Subsidiaries
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production and Sales	1,243,571	1,165,931	-	100	1,176,582	4,489	4,489	Subsidiaries
Capital Concord Enterprises Limited	Laya Outdoor Products Limited	Hong Kong	Holding company	40,449	40,449	10,618,000	100	34,997	( 1,427)	( 1,427)	Subsidiaries
Capital Concord Enterprises Limited	Laya Max Trading Co., Ltd.	Taiwan	Distribution Agent and Import and Export Trade	12,395	12,395	-	100	16,234	337	235	Subsidiaries
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	184,611	184,611	-	100	181,401	323	323	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 Q3 2020, the exchange rates for assets and profit or loss were USD:NTD=29.10 and USD:NTD=29.8027, respectively.

## Subsidiaries Information on Investments in Mainland China

Unit NTD thousand

Accumulated  
amount of  
investment income  
remitted back to  
Taiwan for the year  
ended

Note 1

Note 2: Investment methods are classified into the following three categories; fill in the number of category each case belongs to:

- Note 3: The historical exchange rate was adopted.

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

September 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	22,445,009	12.73
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	20,136,372	11.42
Fubon Life Assurance Co., Ltd	10,984,000	6.23

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.