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

Consolidated Financial Statements and Independent Auditor's Report

For the Years Ended December 31, 2020 and 2019

(Stock Code: 9802)

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Independent Auditor’s Report

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

Opinion

We have audited the consolidated balance sheets of Fulgent Sun International (Holding) Co., Ltd. and its subsidiaries (the “Group”) as of December 31,2020 and 2019, and the consolidated statements of comprehensive income, changes in equity, and cash flows for the years then ended, as well as the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of the year ended December 31, 2020, and 2019, and its consolidated financial performance and consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed by the Financial Supervisory Commission of the Republic of China.

Basis of Opinion

We have conducted our audit in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the “Auditor's Responsibilities for the Audit of the Consolidated Financial Statements” section below. We are independent of the Group in accordance with the Norms of Professional Ethics for Certified Public Accountants in the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the content of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on those matters.

Key audit matters for the Group’s consolidated financial statements for the year ended December 31, 2020, are stated as follows:

Sales Revenue Recognition

<u>Description</u>

Please refer to the consolidated financial statements (Note 4 (29)) for the accounting policy on sales revenue. The revenue of the Group the year ended December 31, 2020, was NT$11,345,641 thousand.

The Group is engaged in the production and sale of sports and leisure outdoor shoes. In terms of the trading conditions of sales revenue, control over the goods is transferred when the exporting goods are delivered to the forwarders designated by the customers, and the sales revenue is recognized on the day the goods are delivered.

Since the Group is based on the product delivery day as the sales revenue recognition date, the revenue recognition process involves manual control and may not properly recognize revenue in the correct period; therefore, we believe that the cut-off point for recognizing sales revenue is one of this year's key audit matters.

<u>Corresponding Audit Procedures</u>

Our audit procedures for the specific aspects described in the key audit matter above are summarized as follows:

1. We understood and evaluated the operating procedures and internal controls for the sale of goods, so as to evaluate the effectiveness of management’s control over the recognition of sales revenue.
2. We verified whether the sales revenue in a certain period before and after the balance sheet date were recognized in the correct period and the changes in the inventory quantity and carry-over of cost of goods sold were recorded in an appropriate period, so as to evaluate the rationality of the revenue recognition time.

Allowance for Inventory Valuation Losses

<u>Description</u>

Please refer to the consolidated financial statements for the accounting policy on inventory evaluation (Note 4(12)), the uncertainty of accounting estimates and assumptions on inventory evaluation (Note 5(2)), and the description of the allowance for inventory valuation losses (Note 6(4)). As of December 31, 2020, the inventory balance of the Group was NT$2,730,221 thousand, and the allowance for inventory valuation losses was NT$93,924 thousand.

The Group measures inventories that are aged over a certain period of time and individually identified with impairment at the lower of cost or net realizable value. The net realizable value used in the evaluation of such inventories often involves subjective judgment. Considering that the Group’s allowance for inventory valuation losses has a significant impact on the financial statements, we classify the allowance for inventory valuation losses as one of this year's key audit matters.

<u>Corresponding Audit Procedures</u>

Our audit procedures for the specific aspects described in the key audit matter above are summarized as follows:

1. We understood and evaluated the reasonableness of the Group’s subsequent inventory evaluation and provision of obsolescence losses.
2. We reviewed the Group's annual inventory plans and participated in the annual inventory checks to assess the effectiveness of management’s differentiation and control over obsolete inventory.
3. We obtained the inventory aging report and checked it against the relevant supporting documents of the inventory change date, and verified whether the aging range of the inventory was correctly classified and consistent with the accounting policy.
4. We obtained the net realizable value report of various inventories to verify whether the calculation logic was used consistently; we also tested the reference data of the estimated net realizable value of the inventory, including checking the supporting documents such as sales prices and purchase prices, and recalculated and evaluated the rationality of the allowance for inventory valuation losses.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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 applicable IFRS, IAS, IFRIC, and SIC endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management deems necessary to enable the preparation of the consolidated financial statements to be free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the ability of the Group as a going concern, disclosing, as applicable, matters related to the going concern, and using the going concern basis of accounting unless management either intends to liquidate or to suspend the business of the Group if there are no other practical options.

Those in charge of governance (including the Audit Committee) are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report. Reasonable assurance means a high degree of assurance, but it is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

When conducting the audit work per the auditing standards generally accepted in the Republic of China, we exercised professional judgment and maintained professional skepticism. We also:

1. Identified and assessed the risks of material misstatements of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures in response to the risks, and obtained evidence sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Understood the internal control related to the audit in order to design the appropriate audit procedures in the circumstances, but not to express an opinion on the effectiveness of the Group's internal control.
3. Evaluated the appropriateness of accounting policies used and the reasonability of accounting estimates and related disclosures made by management.
4. Concluded, based on the audit evidence obtained, whether management's use of the going concern basis of accounting was appropriate and whether there were significant uncertainties in the events or circumstances that could cast significant doubt on the Group's ability to continue as a going concern. If we conclude that material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosure is inappropriate, to modify our opinion. Our conclusions were based on the audit evidence obtained up to the date of

the auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluated the overall presentation, structure, and content of the consolidated statements, including related notes, and whether the consolidated statements represented the underlying transactions and events in a matter that achieved fair presentation.
6. Obtained sufficient and appropriate audit evidence on the financial information of business entities within the Group in order to express an opinion on the consolidated financial statements. We are responsible for guiding, supervising, and implementing the audit of the Group, and for expressing an opinion on the audit of the Group.

We communicated with those in charge of governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings (including any significant deficiencies in internal control that we identified during our audit).

We provided those in charge of governance a statement that we have complied with relevant ethical requirements for independence under the Norms of Professional Ethics for Certified Public Accountants in the Republic of China. We also communicated with them regarding all relationships and other matters (including relevant protection measures) that could reasonably be thought to bear on our independence.

From the matters communicated with those in charge of governance, we determined those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2020, and were therefore the key audit matters. We described these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

PricewaterhouseCoopers
Taipei, Taiwan
Republic of China

February 26, 2021

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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

Z	Assets	Note	December 31, 2020 Amount	%	December 31, 2019 Amount	%
	Current assets					
1100	Cash and cash equivalents	6(1)	$ 1,567,828	11	$ 1,373,474	10
1170	Accounts receivable, net	6(3)	2,270,550	16	2,329,423	18
1200	Other receivables		184,911	1	222,416	2
130X	Inventories	6(4)	2,730,221	19	2,142,441	16
1410	Prepayments		128,846	1	103,763	1
1470	Other current assets	6(7) and 8	164,384	1	98,000	1
11XX	**Total current assets**		7,046,740	49	6,269,517	48
	Non-current assets					
1510	Non-current financial assets at fair value through profit or loss	6(2)	9,289	-	4,654	-
1600	Property, plant, and equipment	6(5) and 8	5,920,768	41	5,727,356	44
1755	Right-of-use assets	6(6)	946,346	7	775,909	6
1780	Intangible assets		13,637	-	16,242	-
1840	Deferred tax assets	6(23)	69,738	1	55,020	1
1900	Other non-current assets	6(7) and 8	343,539	2	140,469	1
15XX	**Total non-current assets**		7,303,317	51	6,719,650	52
1XXX	**Total assets**		$ 14,350,057	100	$ 12,989,167	100

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

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

Consolidated Balance Sheets

December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

			December 31, 2020		December 31, 2019	
	Liabilities and Equity	Note	Amount	%	Amount	%
	Current liabilities					
2100	Current borrowings	6(8) and 8	$ 1,322,960	9	$ 1,669,050	13
2130	Current contract liabilities	6(17)	52,618	1	28,538	-
2170	Accounts payable		1,666,662	12	1,393,220	11
2200	Other payables	6(9)	1,391,483	10	880,558	7
2230	Current tax liabilities		160,141	1	85,281	-
2280	Current lease liabilities		40,864	-	29,073	-
2300	Other current liabilities		16,256	-	12,446	-
21XX	**Total current liabilities**		4,650,984	33	4,098,166	31
	Non-current liabilities					
2500	Non-current financial liabilities at fair value through profit or loss	6(2)	250	-	-	-
2530	Bonds payable	6(10)	483,820	3	69,780	-
2570	Deferred tax liabilities	6(23)	786	-	1,981	-
2580	Non-current lease liabilities		486,855	3	333,188	3
2600	Other non-current liabilities	6(11)	212,045	2	212,342	2
25XX	**Total non-current liabilities**		1,183,756	8	617,291	5
2XXX	**Total liabilities**		5,834,740	41	4,715,457	36
	Equity attributable to owners of the parent company					
	Share capital	6(14)				
3110	Ordinary share		1,861,950	13	1,747,566	14
	Capital surplus	6(15)				
3200	Capital surplus		5,256,344	36	4,459,672	34
	Retained earnings	6(16)				
3310	Legal reserve		601,681	4	421,155	3
3320	Special reserve		852,629	6	420,541	3
3350	Unappropriated retained earnings		795,740	6	1,863,461	15
	Other equity					
3400	Other equity interest		(837,187)	(6)	(683,175)	(5)
3500	Treasury shares	6(14)	(57,583)	-	-	-
31XX	**Total equity attributable to owners of the parent company**		8,473,574	59	8,229,220	64
36XX	**Non-controlling interests**		41,743	-	44,490	-
3XXX	**Total equity**		8,515,317	59	8,273,710	64
	Significant Contingent Liabilities and Unrecognized Contractual Commitments	9				
3X2X	**Liabilities and total equity**		$ 14,350,057	100	$ 12,989,167	100

The notes set out below form an integral part of the consolidated financial statements.

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

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

Consolidated Statements of Comprehensive Income

For the Years Ended December 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Common Share)

	Item	Note	2020 Amount	2020 %	2019 Amount	2019 %
4000	Operating revenue	6(17)	$ 11,345,641	100	$ 12,842,525	100
5000	Operating costs	6(4)	(8,963,637)	(79)	(10,313,919)	(80)
5950	Gross profit from operations		2,382,004	21	2,528,606	20
	Operating expenses	6(22)				
6100	Selling expenses		(196,991)	(2)	(215,464)	(2)
6200	Administrative expenses		(745,366)	(7)	(711,346)	(6)
6300	Research and development expenses		(166,560)	(1)	(144,821)	(1)
6000	Total operating expenses		(1,108,917)	(10)	(1,071,631)	(9)
6900	Net operating income		1,273,087	11	1,456,975	11
	Non-operating income and expenses					
7100	Interest income	6(18)	9,727	-	10,529	-
7010	Other income	6(19)	64,486	-	63,036	1
7020	Other gains and losses	6(20)	(273,360)	(2)	16,409	-
7050	Finance costs	6(21)	(24,954)	-	(34,780)	-
7000	Total non-operating income and expenses		(224,101)	(2)	55,194	1
7900	**Profit from continuing operations before tax**		1,048,986	9	1,512,169	12
7950	Tax expenses	6(23)	(153,472)	(1)	(235,658)	(2)
8200	**Profit**		$ 895,514	8	$ 1,276,511	10
	Other comprehensive income, net					
	Items that may be subsequently reclassified to profit or loss					
8361	Exchange differences on translation		($ 154,698)	(1)	($ 264,473)	(2)
8300	**Other comprehensive income, net**		($ 154,698)	(1)	($ 264,473)	(2)
8500	**Total comprehensive income**		$ 740,816	7	$ 1,012,038	8
	Profit attributable to:					
8610	Owners of the parent company		$ 897,575	8	$ 1,279,195	10
8620	Non-controlling interests		($ 2,061)	-	($ 2,684)	-
	Comprehensive income attributable to:					
8710	Owners of the parent		$ 743,563	7	$ 1,016,560	8
8720	Non-controlling interests		($ 2,747)	-	($ 4,522)	-
	Basic earnings per share	6(24)				
9750	Total basic earnings per share		$	5.06	$	7.81
	Diluted earnings per share					
9850	Total diluted earnings per share		$	5.00	$	7.31

The notes set out below form an integral part of the consolidated financial statements.

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

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

Consolidated Statements of Changes in Equity

For the Years Ended December 31, 2020 and 2019

(Expressed in thousands of New Taiwan dollars)

		Equity Attributable to Owners of Parent										
		Share Capital			Retained Earnings							
	Note	Ordinary share	Advance Receipts for Share Capital	Capital Surplus	Legal Reserve	Special Reserve	Unappropriated Retained Earnings	Exchange Differences on Translation of Foreign Financial Statements	Treasury shares	Total	Non-controlling Interests	Total Equity
Balance, 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		-	-	-	-	-	1,279,195	-	-	1,279,195	(2,684)	1,276,511
Other comprehensive income		-	-	-	-	-	-	(262,634)	-	(262,634)	(1,839)	(264,473)
Total comprehensive income		-	-	-	-	-	1,279,195	(262,634)	-	1,016,561	(4,523)	1,012,038
Distribution of earnings for 2018	6(16)											
Legal reserve appropriated		-	-	-	74,300	-	(74,300)	-	-	-	-	-
Reversal of special reserve		-	-	-	-	(25,593)	25,593	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	-	(588,178)	-	-	(588,178)	-	(588,178)
Issue of shares	6(14)(15)	60,000	(65,886)	168,427	-	-	-	-	-	162,541	-	162,541
Conversion of convertible bonds	6(15)(25)	224,831	-	914,125	-	-	-	-	-	1,138,956	-	1,138,956
Changes in non-controlling interests		-	-	-	-	-	-	-	-	-	10,737	10,737
Balance, December 31, 2019		$ 1,747,566	$ -	$ 4,459,672	$ 421,155	$ 420,541	$ 1,863,461	($ 683,175)	$ -	$ 8,229,220	$ 44,490	$ 8,273,710
Balance, 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		-	-	-	-	-	897,575	-	-	897,575	(2,061)	895,514
Other comprehensive income		-	-	-	-	-	-	(154,012)	-	(154,012)	(686)	(154,698)
Total comprehensive income		-	-	-	-	-	897,575	(154,012)	-	743,563	(2,747)	740,816
Distribution of earnings for 2019	6(16)											
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)
Distribution of earnings for the six-month period ended June 30, 2020	6(16)											
Legal reserve appropriated		-	-	-	52,606	-	(52,606)	-	-	-	-	-
Special reserve appropriated		-	-	-	-	169,454	(169,454)	-	-	-	-	-
Cash dividends of ordinary shares		-	-	-	-	-	(389,623)	-	-	(389,623)	-	(389,623)
Issue of shares	6(14)(15)	100,000	-	692,844	-	-	-	-	-	792,844	-	792,844
Due to recognition of equity component of convertible bonds issued	6(10)(15)	-	-	48,201	-	-	-	-	-	48,201	-	48,201
Conversion of convertible bonds	6(15)(25)	14,384	-	55,627	-	-	-	-	-	70,011	-	70,011
Purchase of treasury shares	6(14)	-	-	-	-	-	-	-	(57,583)	(57,583)	-	(57,583)
Balance, December 31, 2020		$ 1,861,950	$ -	$ 5,256,344	$ 601,681	$ 852,629	$ 795,740	($ 837,187)	($ 57,583)	$ 8,473,574	$ 41,743	$ 8,515,317

The notes set out below form an integral part of the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Expressed in thousands of New Taiwan dollars)

	Note	2020	2019
Cash flows from operating activities			
Profit before tax		$ 1,048,986	$ 1,512,169
Adjustments			
Adjustments to reconcile profit or loss			
Net gain on financial assets or liabilities at fair value through profit or loss	6(2)(20)	(4,785)	(8,871)
Depreciation expense	6(5)(6)(22)	699,969	616,174
Amortization expenses	6(22)	33,104	39,051
Expected credit losses (gain)	12(2)	(3,770)	5,383
Loss on disposal of property, plant, and equipment	6(20)	8,041	8,861
Interest income	6(18)	(9,727)	(10,529)
Interest expenses	6(21)	24,954	34,780
Share-based payment	6(13)	45,570	-
Changes in operating assets and liabilities			
Net changes in operating assets			
Accounts receivable		(40,922)	(249,196)
Other receivables		33,762	(35,377)
Inventories		(703,443)	(332,026)
Prepayments		(31,257)	(30,452)
Other current assets		(15,083)	(16,982)
Changes in operating liabilities			
Contract liabilities		26,354	1,618
Accounts payable		298,638	415,296
Other payables		108,690	(12,832)
Other current liabilities		4,010	(802)
Other non-current liabilities		(3,037)	(3,306)
Cash flows generated from operating		1,520,054	1,932,959
Interest received		9,588	9,873
Interest paid		(17,967)	(23,991)
Income tax paid		(126,413)	(215,445)
Net cash flows from operating activities		1,385,262	1,703,396

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2020 and 2019
(Expressed in thousands of New Taiwan dollars)

	Note	2020	2019
Cash flows from investing activities			
Acquisition of financial assets at amortized cost		($ 23,865)	($ 61,428)
Acquisition of property, plant, and equipment	6(25)	(1,240,894)	(1,506,853)
Proceeds from disposal of property, plant and equipment		4,044	8,091
Acquisition of use-of-right assets	6(6)	(1,428)	(23,227)
Acquisition of intangible assets		(1,180)	(3,271)
Decrease (increase) in other non-current assets		3,523	(82,062)
Decrease in refundable deposits		1,805	312
Net cash flows used in investing activities		(1,257,995)	(1,668,438)
Cash flows from financing activities			
(Decrease) Increase in short-term loans	6(26)	(272,559)	618,597
Proceeds from long-term debt	6(26)	-	204,411
Repayment of long-term debt	6(26)	-	(214,171)
Payments of lease liabilities	6(6)(26)	(61,461)	(50,729)
Proceeds from issuing convertible bonds	6(26)	532,744	-
Repayments of convertible bonds	6(26)	-	(5,300)
Cash dividends paid	6(16)	(963,059)	(588,178)
Proceeds from issuing shares	6(14)	750,000	165,114
Payments to acquire treasury shares	6(14)	(57,583)	-
Changes in non-controlling interests		-	10,737
Net cash flows (used in) generated from financing activities		(71,918)	140,481
Effects of exchange rate changes		139,005	(115,038)
Net increase in cash and cash equivalents		194,354	60,401
Cash and cash equivalents at beginning of period		1,373,474	1,313,073
Cash and cash equivalents at end of period		$ 1,567,828	$ 1,373,474

The notes set out below form an integral part of the consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Notes to the Consolidated Financial Statements
For the Years Ended December 31, 2020 and 2019
(Expressed in thousands of New Taiwan dollars,Unless otherwise specified)

1. Company History

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

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

The consolidated financial statements were approved by the Board of Directors and published on February 26, 2021.

3. Application of New Standards, Amendments and Interpretations

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

New standards, interpretations and amendments endorsed by FSC effective from 2020 are as follows:

New Standards, Interpretations and Amendments	Effective Date Set by the IASB
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
Amendments to IFRS 16 , ‘Covid-19-related rent concessions’	June 1, 2020 (Note)

Note：Earlier application from January 1, 2020 is allowed by FSC.

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

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

New standards, interpretations and amendments endorsed by the FSC effective from 2021 are as follows:

New/Revised/Amended Standards and Interpretations	Effective Date Set by the IASB
Amendments to IFRS 4, ‘Extension of the temporary exemption from applying IFRS 9	January 1, 2021
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, ‘ Interest Rate Benchmark Reform— Phase 2’	January 1, 2021

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

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

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

New Standards, Interpretations and Amendments	Effective Date Set by the IASB
Amendments to IFRS 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 associate or joint venture'	To be determined byIASB
IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IFRS 17, 'Insurance contracts'	January 1, 2023
Amendments to IAS 1, 'Classification of liabilities as current or non-current'	January 1, 2023
Amendments to IAS 1, 'Disclosure of accounting policies'	January 1, 2023
Amendments to IAS 8, 'Definition of accounting estimates'	January 1, 2023
Amendments to IAS 16, 'Property, plant and equipment: proceeds before intended use'	January 1, 2022
Amendments to IAS 37, 'Onerous contracts— cost of fulfilling a contract'	January 1, 2022
Annual improvements to IFRS Standards 2018–2020	January 1, 2022

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

4. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

(1) Compliance statement

The consolidated financial statements of the Group have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers", International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations, and SIC Interpretations as endorsed by the FSC (collectively referred herein as the "IFRSs").

(2) Basis of preparation

A. Except for the following items, the consolidated financial statements have been prepared under the historical cost convention:

Financial assets and liabilities at fair value through profit or loss.

B. The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5.

(3) Basis of consolidation

A. Basis for preparation of consolidated financial statements:

(a) All subsidiaries are included in the Group’s consolidated financial statements.Subsidiaries are all entities (including structured entities) controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Consolidation of subsidiaries begins from the date the Group obtains control of the subsidiaries and ceases when the Group loses control of the subsidiaries.

(b) Inter-company transactions, balances and unrealised gains or losses on transactions between companies within the Group are eliminated. Accounting policies of subsidiaries have been adjusted where necessary to ensure consistency with the policies adopted by the Group.

(c) Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non- controlling interests having a deficit balance.

(d) Changes in a parent’s ownership interest in a subsidiary that do not result in the parent losing control of the subsidiary (transactions with non-controlling interests) are accounted for as equity transactions, i.e. transactions with owners in their capacity as owners. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity.

(e) When the Group loses control of a subsidiary, the Group remeasures any investment retained in the former subsidiary at its fair value. That fair value is regarded as the fair value on initial recognition of a financial asset or the cost on initial recognition of the associate or joint venture. Any difference between fair value and carrying amount is recognised in profit or loss. All amounts previously recognised in other comprehensive income in relation to the subsidiary are reclassified to profit or loss on the same basis as would be required if the related assets or liabilities were disposed of. That is, when the Group loses control of a subsidiary, all gains or losses previously recognised in other comprehensive income in relation to the subsidiary should be reclassified from equity to profit or loss, if such gains or losses would be reclassified to profit or loss when the related assets or liabilities are disposed of.

B. Subsidiaries included in the consolidated financial statements:

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

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

D. Adjustment for subsidiaries with different balance sheet dates: None.

E. Significant restrictions: None.

F. Subsidiaries that have non-controlling interests that are material to the Group: None.

(4) Foreign currency translation

The functional currencies of the Group's subsidiaries in the Republic of China, the People's Republic of China, and Southeast Asia are NTD, RMB, and VND and USD, respectively. The consolidated financial statements are presented using "New Taiwan dollars(NTD)" as the reporting currency.

A. Foreign currency transactions and balances

(a) Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in profit or loss in the period in which they arise.

(b) Monetary assets and liabilities denominated in foreign currencies at the period end are re- translated at the exchange rates prevailing at the balance sheet date. Exchange differences arising upon re-translation at the balance sheet date are recognised in profit or loss..

(c) Non-monetary assets and liabilities denominated in foreign currencies held at fair value through profit or loss are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies held at fair value through other comprehensive income are re-translated at the exchange rates prevailing at the balance sheet date; their translation differences are recognised in other comprehensive income. However, non- monetary assets and liabilities denominated in foreign currencies that are not measured at fair value are translated using the historical exchange rates at the dates of the initial transactions..

(d) All other foreign exchange gains and losses based on the nature of those transactions are presented in the statement of comprehensive income within'other income and expenses – net' or 'other gains and losses'.

B. Translation of foreign operations

The operating results and financial position of all the group entities, associates and joint arrangements that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) Assets and liabilities for each balance sheet presented are translated at the closing exchange rate at the date of that balance sheet;

(b) Income and expenses for each statement of comprehensive income are translated at average exchange rates of that period; and

(c) All resulting exchange differences are recognised in other comprehensive income.

(5) Classification of current and non-current items

A. Assets that meet one of the following criteria are classified as current assets; otherwise they are classified as non-current assets:

(a) Assets arising from operating activities that are expected to be realised, or are intended to be sold or consumed within the normal operating cycle;

(b) Assets held mainly for trading purposes;

(c) Assets that are expected to be realised within twelve months from the balance sheet date;

(d) Cash and cash equivalents, excluding restricted cash and cash equivalents and those that are to be exchanged or used to settle liabilities more than twelve months after the balance sheet date.

The Group classifies assets that do not meet any of the above criteria as non-current assets.

B. Liabilities that meet one of the following criteria are classified as current liabilities; otherwise they are classified as non-current liabilities:

(a) Liabilities that are expected to be settled within the normal operating cycle;

(b) Liabilities arising mainly from trading activities;

(c) Liabilities that are to be settled within twelve months from the balance sheet date;

(d) Liabilities for which the repayment date cannot be extended unconditionally to more than twelve months after the balance sheet date. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

The Group classifies liabilities that do not meet any of the above criteria as non-current liabilities.

(6) Cash and cash equivalents

Cash equivalents refer to short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Time deposits that meet the definition above and are held for the purpose of meeting short-term cash commitments in operations are classified as cash equivalents.

(7) Financial assets at fair value through profit or loss

A. Financial assets at fair value through profit or loss are financial assets that are not measured at amortised cost or fair value through other comprehensive income.

B. On a regular way purchase or sale basis, financial assets at fair value through profit or loss are recognised and derecognised using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value and recognises the transaction costs in profit or loss. The Group subsequently measures the financial assets at fair value, and recognises the gain or loss in profit or loss.

D. The Group recognises the dividend income when the right to receive payment is established, future economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

(8) Financial assets at amortized cost

A. Financial assets at amortized cost are those that meet all of the following criteria:

(a) The objective of the Group’s business model is achieved by collecting contractual cash flows.

(b) The assets’ contractual cash flows represent solely payments of principal and interest.

B. On a regular way purchase or sale basis, financial assets at amortized cost are recognized and derecognized using trade date accounting.

C. At initial recognition, the Group measures the financial assets at fair value plus transaction costs. Interest income from these financial assets is included in finance income using the effective interest method. A gain or loss is recognised in profit or loss when the asset is derecognised or impaired.

D. The Group’s time deposits which do not fall under cash equivalents are those with a short maturity period and are measured at initial investment amount as the effect of discounting is immaterial.

(9) Accounts and notes receivable

A. Accounts and notes receivable entitle the Group a legal right to receive consideration in exchange for transferred goods or rendered services.

B. Accounts receivable and notes receivable refer to short-term accounts receivable and notes receivable without interest accrued; because the effect of discounting is insignificant, the Group has it measured by the original invoice amount.

(10) Impairment of financial assets

For debt instruments measured at fair value through other comprehensive income and financial assets at amortised cost (including forward-looking information) , at each reporting date, the Group recognises the impairment provision for 12 months expected credit losses if there has not been a significant increase in credit risk since initial recognition or recognises the impairment provision for the lifetime expected credit losses (ECLs) if such credit risk has increased since initial recognition after taking into consideration all reasonable and verifiable information that includes forecasts. On the other hand, for accounts receivable or contract assets that do not contain a significant financing component, the Group recognises the impairment provision for lifetime ECLs.

(11) De-recognition of financial assets

The Group derecognises a financial asset when the contractual rights to receive the cash flows from the financial asset expire.

(12) Inventories

Inventories are stated at the lower of cost and net realisable value.Cost is determined using theweighted-average method.The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (allocated based on normal operating capacity).It excludes borrowing costs.The item by item approach is used in applying the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and applicable variable selling expenses.

(13) Property, plant, and equipment

A.Property, plant, and equipment are initially recorded at cost. Borrowing costs incurred during the construction period are capitalized.

B. Subsequent costs are included in the asset’s carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to profit or loss during the period in which they are incurred.

C. Property, plant, and equipment are subsequently measured in cost mode with depreciation amortized using the straight-line method based on the period of depreciation except land for which no depreciation is to be amortized. If each component of property, plant, and equipment is significant, it is depreciated separately.

D. The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year-end. If expectations for the assets' residual values and useful lives differ from previous estimates or the patterns of consumption of the assets' future economic benefits embodied in the assets have changed significantly, any change is accounted for as a change in estimate under IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', from the date of the change. The estimated useful lives of property, plant and equipment are as follows:

Buildings and structures	2 to 50 years
Machinery and equipment	3 to 20 years
Transport equipment	3 to 20 years
Office equipment	3 to 11 years
Other equipment	1 to 21 years

(14) Leasing arrangements (lessee)－right-of-use assets/ lease liabilities

A. Leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. For short-term leases or leases of low- value assets, lease payments are recognised as an expense on a straight-line basis over the lease term..

B. Lease liabilities include the net present value of the remaining lease payments at the commencement date, discounted using the incremental borrowing interest rate.

Lease payments are comprised of the following:

(a) Fixed payments, less any lease incentives receivable;

(b) Variable lease payments that depend on an index or a rate.

The Group subsequently measures the lease liability at amortised cost using the interest method and recognises interest expense over the lease term. The lease liability is remeasured and the amount of remeasurement is recognised as an adjustment to the right-of-use asset when there are changes in the lease term or lease payments and such changes do not arise from contract modifications.

C. At the commencement date, the right-of-use asset is stated at cost comprising the following:

(a) The amount of the initial measurement of lease liability;

(b) Any lease payments made at or before the commencement date.

The right-of-use asset is measured subsequently using the cost model and is depreciated from the commencement date to the earlier of the end of the asset's useful life or the end of the lease term.When the lease liability is remeasured, the amount of remeasurement is recognised as an adjustment to the right-of-use asset.

(15) Intangible assets

Computer software is stated at cost and amortised on a straight-line basis over its estimated useful life of 3 to 15 years

(16) Impairment of non-financial assets

The Group assesses at each balance sheet date the recoverable amounts of those assets where there is an indication that they are impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell or value in use. When the circumstances or reasons for recognising impairment loss for an asset in prior years no longer exist or diminish, the impairment loss is reversed. The increased carrying amount due to reversal should not be more than what the depreciated or amortised historical cost would have been if the impairment had not been recognised.

(17) Borrowings

Borrowings comprise long-term and short-term bank borrowings.Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

(18) Notes and accounts payable

A.Accounts payable are liabilities for purchases of raw materials, goods or services and note payable are those resulting from operating and non-operating activities

B.The short-term notes and accounts payable without bearing interest are subsequently measured at initial invoice amount as the effect of discounting is immaterial.

(19) Financial liabilities at fair value through profit or loss

A.Financial liabilities are classified in this category of held for trading if acquired principally for the purpose of repurchasing in the short-term

B.At initial recognition, the Group measures the financial liabilities at fair value. All related transaction costs are recognised in profit or loss. The Group subsequently measures these financial liabilities at fair value with any gain or loss recognised in profit or loss.

(20) Convertible bonds payable

Convertible bonds issued by the Group contain conversion options (that is, the bondholders have the right to convert the bonds into the Group's common shares by exchanging a fixed amount of cash for a fixed number of common shares), call options and put options. The Group classifies the bonds payable upon issuance as a financial asset, a financial liability or an equity instrument in accordance with the contract terms. They are accounted for as follows:

A. The embedded conversion options, call options and put options are recognised initially at net fair value as 'financial assets or financial liabilities at fair value through profit or loss'. They are subsequently remeasured and stated at fair value on each balance sheet date;the gain or loss is recognised as 'gain or loss on valuation of financial assets or financial liabilities at fair value through profit or loss'

B. The host contracts of bonds are initially recognised at the residual value of total issue price less the amount of 'inancial assets or financial liabilities at fair value through profit or loss'as stated above. Any difference between the initial recognition and the redemption value is accounted for as the premium or discount on bonds payable and subsequently is amortised in profit or loss as an adjustment to the'finance costs'over the period of circulation using the effective interest method.

C. The conversion right embedded in the convertible corporate bonds payable issued by the Group is in line with the definition of equity. When it is originally recognized, it is recognized and booked in the “capital surplus - stock options” for the issuance amount net of the aforementioned “financial assets or liabilities at fair value through profit or loss” and “net corporate bonds payable.” Also, it will not be re-measured in the future.

D. Any transaction costs directly attributable to the issuance are allocated to each liability component in proportion to the initial carrying amount of each abovementioned item.

E. When bondholders exercise conversion options, the liability component of the bonds (including bonds payable and‘financial assets or financial liabilities at fair value through profit or loss’) shall be remeasured on the conversion date. The issuance cost of converted common shares is the total book value of the abovementioned liability component and ‘capital surplus—share options.

F. When the holders of corporate bonds can execute the right of puts within the next year, the corporate bonds payable should be classified as current liabilities. The corporate bonds payable that are without the right of put exercised after the deadline for exercising the right of puts should be reversed to non-current liabilities.

(21) <u>Derecognition of financial liabilities</u>

A financial liability is derecognised when the obligation specified in the contract is either discharged or cancelled or expires.

(22) <u>Offsetting financial instruments</u>

Financial assets and liabilities are offset and reported in the net amount in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

(23) <u>Non-hedging derivatives</u>

Non-hedging derivatives are initially recognised at fair value on the date a derivative contract is entered into and recorded as financial assets or financial liabilities at fair value through profit or loss. They are subsequently remeasured at fair value and the gains or losses are recognised in profit or loss..

(24) <u>Employee benefits</u>

A. Short-term employee benefits

Short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in respect of service rendered by employees in a period and should be recognised as expense in that period when the employees render service.

B. Pension

For defined contribution plans, the contributions are recognised as pension expense when they are due on an accrual basis. Prepaid contributions are recognised as an asset to the extent of a cash refund or a reduction in the future payments.

C. Employees’ bonuses and directors’ remuneration

Employees’ bonuses and directors’ remuneration are recognized as expenses and liabilities, provided that such recognition is required under legal or constructive obligation and those amounts can be reliably estimated. Any difference between the resolved amounts and the subsequently actual distributed amounts is accounted for as changes in estimates. If employee compensation is paid by shares, the Group calculates the number of shares based on the closing price at the previous day of the board meeting resolution.

(25) Employee share-based payment

For the equity-settled share-based payment arrangements, the employee services received are measured at the fair value of the equity instruments granted at the grant date, and are recognised as compensation cost over the vesting period, with a corresponding adjustment to equity. The fair value of the equity instruments granted shall reflect the impact of market vesting conditions and non-vesting conditions. Compensation cost is subject to adjustment based on the service conditions that are expected to be satisfied and the estimates of the number of equity instruments. that are expected to vest under the non-market vesting conditions at each balance sheet date. Ultimately, the amount of compensation cost recognised is based on the number of equity instruments that eventually vest.

(26) Income tax

A.The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or items recognized directly in equity, in which cases the tax is recognized in other comprehensive income or equity.

B.The current income tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in accordance with applicable tax regulations. It establishes provisions where appropriate based on the amounts expected to be paid to the tax authorities. An additional tax is levied on the unappropriated retained earnings and is recorded as income tax expense in the year the stockholders resolve to retain the earnings.

C.Deferred tax is recognised, using the balance sheet liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, the deferred tax is not accounted for if it arises from initial recognition of goodwill or of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

D. Deferred tax assets are recognised only to the extent that it is probable that future taxable profitwill be available against which the temporary differences can be utilised. At each balance sheet date, unrecognised and recognised deferred tax assets are reassessed.

E. Current income tax assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. Deferred tax assets and liabilities are offset on the balance sheet when the entity has the legally enforceable right to offset current tax assets against current tax liabilities and they are levied by the same taxation authority on either the same entity or different entities that intend to settle on a net basis or realise the asset and settle the liability simultaneously..

(27) Share capital

A. Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or stock options are shown in equity as a deduction, net of tax, from the proceeds.

B. When the Company repurchases the Company's equity share capital that has been issued, the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders. When such shares are subsequently reissued, the difference between their book value and any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the Company's equity holders.

(28) Dividends

Dividends are recorded in the Company's financial statements in the period in which they are resolved by the Company's shareholders.Cash dividends are recorded as liabilities;stock dividends are recorded as stock dividends to be distributed and are reclassified to ordinary shares on the effective date of new shares issuance.

(29) Recognition of revenue

A. Product sales

(a) The Group is engaged in the production and sale of sports and leisure outdoor shoes. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Part of the Group's sales income from the sale of sports and leisure outdoor shoes is recognized at the contract price net of the estimated sales discount. The sales discount offered to customers is usually calculated on the basis of cumulative sales over 12 months. The Group estimates the sales discount based on historical experience. The income recognition amount is limited to the part that is most unlikely to undergo a significant reverse in the future and the amount is to be updated on each balance sheet date. The estimated sales discount payable to customers as of the balance sheet date is recognized as a refund liability. The payment terms for sales transactions are due within 30~120 days after the shipment date, which is consistent with market practice. Therefore, it is concluded that the contract does not include significant financial components.

(c) A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

B. Financial components

The Group has contracts signed with customers to have the promised commodity or service delivered and the payment made within one year or shorter; therefore, the Group has not adjusted the transaction price to reflect the time value of money.

(30) Government grants

Government grants will be recognized at fair value when it can be reasonably assured that the enterprise will comply with the conditions attached to the government grant and that the grant will be received. If the nature of the government grant is to compensate the Group for expenses incurred, the government grant will be recognized in profit and loss on a systematic basis during the period when the related expenses are incurred. Government grants related to property, plant, and equipment are recognized as non-current liabilities and are recognized in profit and loss on a straight-line basis based on the estimated useful lives of the relevant assets.

(31) Operating segment

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The Group's chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that makes strategic decisions.

5. Critical Accounting Judgements, Estimates and Key Sources of Assumption Uncertainty

The preparation of these consolidated financial statements requires management to make critical judgements in applying the Group's accounting policies and make critical assumptions and estimates concerning future events. Assumptions and estimates may differ from the actual results and are continually evaluated and adjusted based on historical experience and other factors.Such assumptions and estimates have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year; and the related information is addressed below:

(1) Critical judgements in applying the Group's accounting policies

None.

(2) Critical accounting estimates and assumptions

Evaluation of inventories

As inventories are stated at the lower of cost and net realisable value, the Group must determine the net realisable value of inventories on balance sheet date using judgements and estimates.Due to the rapid technology innovation, the Group evaluates the amounts of normal inventory consumption, obsolete inventories or inventories without market selling value on balance sheet date, and writes down the cost of inventories to the net realisable value. Such an evaluation of inventories is principally based on the demand for the products within the specified period in the future. Therefore, there might be material changes to the evaluation.

6. Explanation of Significant Accounts

(1) Cash and cash equivalents

	December 31, 2020		December 31, 2019	
Cash on hand and revolving funds	$	4,906	$	6,644
Checking deposits & demand deposits		1,117,222		1,055,034
Time deposits		445,700		311,796
Total	$	1,567,828	$	1,373,474

A. The financial institutions of the Group have good credit quality, and the Group has dealings with several financial institutions to distract credit risk; therefore, the default is almost unlikely.

B. The Group classifies time deposits with an original maturity of more than 3 months and not meeting short-term cash commitments as financial assets at amortized cost and presents them under "other current assets". The amounts as of December 31, 2020, and 2019 were NT$43,617 and NT$43,050 respectively.

C. For restricted bank deposits of the Group, refer to Note 6(7).

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

Item	December 31, 2020		December 31, 2019	
Non-current items:				
Financial assets mandatorily measured at fair value through profit or loss				
- Listed company stock	$	9,289	$	4,626
- Convertible corporate bond redemption and sale rights		-		28
Total	$	9,289	$	4,654

Item	December 31, 2020		December 31, 2019	
Non-current items:				
Financial liabilities mandatorily measured at fair value through profit or loss				
- Convertible corporate bond redemption and sale rights	($	250)	$	-

A. The convertible corporate bonds the Group held the right to redeem and sell in the year ended December 31, 2020 and 2019, with recognized gains, were NT$122 and NT$6,099 respectively.

B. The shares of listed companies the Group held in the year ended December 31, 2020 and 2019, with recognized gains, were NT$4,663 and NT$2,772 respectively.

C. The Group has not pledged any financial assets at fair value through profit or loss.

(3) Accounts receivable, net

	December 31, 2020	December 31, 2019
Accounts receivable	$ 2,275,370	$ 2,338,138
Less: Allowance for impairment	(4,820)	(8,715)
	$ 2,270,550	$ 2,329,423

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

	December 31, 2020	December 31, 2019
Current	$ 2,209,713	$ 2,265,039
Overdue 0 to 90 days	55,215	63,904
Overdue 91 to 180 days	3,632	553
Overdue 181 to 365 days	3,650	1,805
Over 365 days past due	3,160	6,837
	$ 2,275,370	$ 2,338,138

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

B.The balances of accounts receivable as of December 31, 2020 and 2019 were generated by the customer contracts. The balance of accounts receivable from the customer contracts as of January 1, 2019 was NT$2,140,291.

C.The amount of the maximum credit risk of the Group's accounts receivables as of December 31, 2020 and 2019, regardless of the collateral or other credit enhancements held, was the book value of each type of accounts receivables.

D. For relevant credit risk information, refer to Note 12(2).

(4) Inventories

	December 31, 2020		
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	$ 9,152	($ 2,192)	$ 6,960
Raw material	503,558	(38,320)	465,238
Work in process	673,418	(11,234)	662,184
Finished goods	1,086,168	(42,178)	1,043,990
Inventory in-transit	551,849	-	551,849
Total	$ 2,824,145	($ 93,924)	$ 2,730,221

	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	$ 2,227,112	($ 84,671)	$ 2,142,441

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

	Year Ended December 31,2020	Year Ended December 31,2019
Cost of inventories sold	$ 8,954,895	$ 10,303,289
Inventory valuation losses (gain from price recovery)	9,253	(81)
Inventory scrap loss	2,957	988
Stock (gain)loss	(3,421)	10,158
Recognized as expenses	(3,053)	(3,129)
Effect of exchange rate changes	3,006	2,694
	$ 8,963,637	$ 10,313,919

The Group recognized a reduction in the cost of goods sold due to a rebound in the net realizable value of inventory that had been listed as loss of price for the year ended December 31, 2019.

(5) Property, plant, and equipment

Cost	2020 Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	$ 294,826	$ 620	$ -	$ 3,051	($ 14,882)	$ 283,615
Buildings	3,536,434	165,147	(19,323)	462,477	(93,622)	4,051,113
Machinery equipment	3,066,318	332,159	(128,073)	82,938	(49,171)	3,304,171
Transport equipment	98,181	14,908	(4,241)	(30,018)	(2,054)	76,776
Office equipment	41,732	3,213	(4,740)	240	1,409	41,854
Others	1,315,524	168,784	(104,593)	44,490	16,957	1,441,162
Construction in progress	630,715	318,491	-	(529,789)	(22,787)	396,630
	$ 8,983,730	$ 1,003,322	($ 260,970)	$ 33,389	($ 164,150)	$ 9,595,321

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)	($ 170,429)	$ 15,681	$ -	$ 4,919	($ 1,152,227)
Machinery equipment	(1,328,739)	(252,006)	121,908	-	(3,327)	(1,462,164)
Transport equipment	(59,332)	(7,500)	4,241	10,394	907	(51,290)
Office equipment	(35,106)	(3,184)	4,720	-	(1,085)	(34,655)
Others	(830,799)	(223,347)	102,335	(10,394)	(12,012)	(974,217)
	($ 3,256,374)	($ 656,466)	$ 248,885	$ -	($ 10,598)	($ 3,674,553)
	$ 5,727,356					$ 5,920,768

	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	$ -	$ -	$ -	($ 7,228)	$ 294,826
Buildings	3,214,325	234,964	(425)	185,614	(98,044)	3,536,434
Machinery equipment	2,483,953	578,218	(97,565)	178,793	(77,081)	3,066,318
Transport equipment	92,163	9,346	(668)	(120)	(2,540)	98,181
Office equipment	40,590	2,553	(611)	519	(1,319)	41,732
Others	1,188,306	143,554	(30,861)	49,250	(34,725)	1,315,524
Construction in progress	521,341	504,688	-	(382,612)	(12,702)	630,715
	$ 7,842,732	$ 1,473,323	($ 130,130)	$ 31,444	($ 233,639)	$ 8,983,730

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)	($ 150,389)	$ 403	$ -	$ 35,055	($ 1,002,398)
Machinery equipment	(1,232,709)	(225,742)	80,656	26	49,030	(1,328,739)
Transport equipment	(55,023)	(6,777)	668	14	1,786	(59,332)
Office equipment	(34,599)	(2,332)	611	(26)	1,240	(35,106)
Others	(702,665)	(186,719)	30,840	(14)	27,759	(830,799)
	($ 2,912,463)	($ 571,959)	$ 113,178	$ -	$ 114,870	($ 3,256,374)
	$ 4,930,269					$ 5,727,356

For property, plant, and equipment provided by the Group as collateral as of December 31, 2020 and 2019, refer to Note 8.

(6) Lease arrangements - Lessee

A. The Group's leased assets include land, 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.

B. The carrying amount of the right-of-use assets and the depreciation expense recognized were as follows:

Item	December 31, 2020		December 31, 2019	
	Carrying amount		Carrying amount	
Land	$	595,584	$	576,970
Buildings		350,762		198,912
Transportation Equipment (official vehicles)		-		27
	$	946,346	$	775,909

	Year Ended December 31,2020		Year Ended December 31,2019	
	Depreciation		Depreciation	
Land	$	22,851	$	34,568
Buildings		20,613		9,482
Transportation Equipment (official vehicles)		39		165
	$	43,503	$	44,215

C. The Group’s right-of-use assets increased NT$$280,243 and NT$$178,087 in year ended December 31, 2020 and 2019 respectively.

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

	Year Ended December 31,2020		Year Ended December 31,2019	
Items affecting current profit and loss:				
Interest expense on lease liability	$	4,483	$	3,048
Cost relates to short-term lease contract		1,739		1,575

E. The Group’s cash flows used in leases totaled NT$64,628 and NT$75,531 in year ended December 31, 2020 and 2019 respectively.

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

Item	December 31, 2020	December 31, 2019
Current:		
Financial assets at amortized cost - Restricted bank deposits	$ 39,106	$ 19,805
Financial assets at amortized cost - Time deposits	43,617	43,050
Others	81,661	35,145
Total	$ 164,384	$ 98,000

Item	December 31, 2020	December 31, 2019
Non-current:		
Prepaid land and equipment	$ 328,604	$ 57,686
Refundable deposits	2,884	4,821
Others	12,051	77,962
Total	$ 343,539	$ 140,469

Note: For other current assets and other non-current assets provided by the Group as collateral as of December 31, 2020 and 2019, refer to Note 8.

(8) Current Borrowings

Loan Type	December 31, 2020	Interest rate range	Collateral
Credit loans	$ 1,322,960	0.597%~0.736%	Note

Loan Type	December 31, 2019	Interest rate range	Collateral
Credit loans	$ 1,669,050	0.730%~2.260%	Note

Note: For property, plant, and equipment provided by the Group as collateral, refer to Note 8.

(9) Other payables

	December 31, 2020	December 31, 2019
Accrued salaries	$ 523,900	$ 493,937
Dividends	389,623	-
Payables on equipment	337,623	270,888
Others	140,337	115,733
Total	$ 1,391,483	$ 880,558

(10) Bonds payable

		December 31, 2020		December 31, 2019
Domestic fourth unsecured convertible corporate bonds	$	-	$	71,100
Domestic fifth unsecured convertible corporate bonds		500,000		-
Less: Discount on corporate bonds payable	(	16,180)	(	1,320)
Total	$	483,820	$	69,780

A. The fourth unsecured convertible corporate bonds in the Republic of China, issued by the Board of Directors of the Company on August 6, 2018, were as follows:

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

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

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

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

d. Within 40 days before the convertible corporate bond is issued 2 full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.

e. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the 30 consecutive business days of the closing price of the common stock of the Company will exceed 30% of the conversion price at that time; the Company will notify the creditors within 30 business days thereafter and withdraw the outstanding bonds in cash on the basis of the day of recovery based on the bond value. When the convertible corporate bond is issued 3 months, When the balance of the convertible corporate bond is less than 10% of the total issued in the first 40 days before the expiration of the issuance period, the Company will have to withdraw all its bonds in cash at any time thereafter based on the denomination of the bonds.

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

(B) As of December 31, 2020, the convertible corporate bond of NT$100,000 was fully converted to 19,257 thousand shares of common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the Company distributes cash dividends on the common stock, the Company should adjust the conversion price of this bond based on the ratio of current price per share on the ex-dividend date according to the prescribed formula. The convertible corporate bond was fully converted on October 6, 2020 and delisted on October 14, 2020.

(C) When issuing the convertible corporate bond, the Company will, in accordance with the International Accounting Standards No.32, separate the conversion rights of equity from the constituent elements of the liabilities, and account for the “capital surplus - stock options.” The balance on December 31, 2020 was NT$0. The other is the right to buy back and sell back. According to the International Financial Reporting Standard No. 9, because of the economic characteristics of the goods that are in debt with the principal contract, the relationship between economic characteristics and risk is not closely related, so it is separated and list as the net account of “financial assets or financial liabilities at fair value through profit or loss.” The effective interest rate of the principal contract obligation after separation is 1.066%.

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

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

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

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

c. The conversion price of the convertible corporate bond is set at NT$112 per share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method.

d. Within 40 days before the convertible corporate bond is issued 2 full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.

e. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the 30 consecutive business days of the closing price of the common stock of the Company will exceed 30% of the conversion price at that time; the Company will notify the creditors within 30 business days thereafter and withdraw the outstanding bonds in cash on the basis of the day of recovery based on the bond value. When the convertible corporate bond is issued 3 months, When the balance of the convertible corporate bond is less than

10% of the total issued in the first 40 days before the expiration of the issuance period, the Company will have to withdraw all its bonds in cash at any time thereafter based on the denomination of the bonds.

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

(B) As of December 31, 2020, the convertible corporate bond of NT$500,000 was not yet converted to the common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the Company distributes cash dividends on the common stock, the Company should adjust the conversion price of this bond based on the ratio of current price per share on the ex-dividend date according to the prescribed formula. At present, the conversion price for the convertible corporate bond is NT$109.9 per share.

(C) When issuing the convertible corporate bond, the Company will, in accordance with the International Accounting Standards No.32, separate the conversion rights of equity from the constituent elements of the liabilities, and account for the "capital surplus - stock options." The balance on December 31, 2020 was NT$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 economic characteristics and risk is not closely related, so it is separated and list as the net account of "financial assets or financial liabilities at fair value through profit or loss." The effective interest rate of the principal contract obligation after separation is 1.066%.

(11) Other non-current liabilities

Item	December 31, 2020		December 31, 2019	
Non-current:				
Deferred government grants	$	120,529	$	122,016
Other non-current liabilities - others		91,516		90,326
Total	$	212,045	$	212,342

(12) Pension

A. Since July 1, 2005, the Group's subsidiary Capital Concord Enterprises Limited H.K., Taiwan Branch, and Taiwan Laya have set up a defined retirement scheme according to the "Labor Pension Act," which is applicable to employees of this nationality. The Group has paid the labor pension to 6% of the monthly salary of the labor pension system applicable to the employee's choice of the "Labor Pension Act," the personal accounts of the Bureau of Labor Insurance, and the payment of employees' pensions are collected on the basis of the pensions of employees' personal pensions and the amount of accumulated income or by a pension. As of the year ended December 31, 2020 and 2019, the pensions recognized by the Group in accordance with the above regulations were NT$6,492 and NT$5,788 respectively.

B. In accordance with the regulations of the People's Republic of China, the Group's second-tier subsidiaries in China set aside the pension (on May 1, 2019, the rate of pension insurance in all provinces and cities in China was reduced to 16%) monthly at 16%~20% of the total local staff's salaries (Sunny and Sunshine: 16%~18%; Sunsmile: 16%~19%; Fujian Laya and La Sportiva: 16%~20%). Each employee's pension is managed and arranged by the government, and the Group is solely obliged to set aside the pension. As of the year ended December 31, 2020 and 2019, the pensions recognized by the Group's second-tier subsidiaries in China in accordance with the above regulations were NT$29,078 and NT$64,520 respectively.

C. The Group's subsidiaries, 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 monthly at a certain percentage of the total wage and paid to the relevant competent authorities. The Group has no further obligation except monthly payment. As of the year ended December 31, 2020 and 2019, the pensions recognized by the Group in accordance with the above regulations were NT$117,296 and NT$99,022 respectively.

(13) Share-based payments

A. The Group’s share-based payment agreements for the year ended December 31, 2020 and 2019 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

B. The Group uses the Black-Scholes model to estimate the fair value of the stock options in its share-based payments on the grant date. The relevant information is as follows:

Unit: NT$

Type of Agreement	Grant date	Share price	Exercise price	Expected Volatility (Note)	Expected Duration	Expected dividends	Risk-free Interest Rate	Fair value per unit
Equity offering to employees	2020.08.04	$ 105	$ 75	52.58%	0.15 years	-	0.24%	$ 30.38

Note: Expected volatility refers to the volatility of stock prices in a period of time in the future, and is estimated based on the standard deviation of stock returns in a specific period.

C. Expenses arising from share-based payments were as follows:

	Year Ended December 31,2020	Year Ended December 31,2019
Equity settlement	$ 45,570	$ -

(14) Share capital

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

B. On April 30, 2020, the Company adopted a cash capital increase plan by the Board of Directors, which issued 10,000 thousand common stock with cash capital increase and declared to the FSC on June 9, 2020; the issue price was NT$75 per share, the base date of capital increase was October 5, 2020, and the amount raised was NT$750,000. The payments for shares were fully received on October 5, 2020.

C. On December 31, 2020, the Company's rated capital was NT$3,000,000, divided into 300 million shares; the paid-in-capital was NT$1,861,950, with the denomination of NT$10 per share.

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

Unit: Thousand Shares

	2020	2019
January 1	174,757	146,274
Cash capital increase	10,000	6,000
Conversion of convertible corporate bonds	1,438	22,483
Redemption of shares	(660)	-
December 31	185,535	174,757

D. Treasury stocks

(A) Reason for buyback and number of treasury stocks bought back:

		December 31, 2020	
Shareholder	Reason for Buyback	Number of Shares (in Thousands)	Carrying Amount
The Company	Transfer to employees	660	$ 57,583

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

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

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

(15) Capital surplus

A. According to the Company Act, the excess of the income from the issuance of shares in excess of the coupon amount and the capital surplus of the received gift shall, in addition to being used to make up for the loss, be issued to new shares or cash in proportion to the original shares of the shareholders when the Company has no accumulated losses. In accordance with the relevant provisions of the Securities and Exchange Act, the above capital surplus is limited to 10% of the total amount of paid-in-capital. The Company shall not use the capital surplus to make good its capital loss unless the surplus reserve is insufficient to make good such loss.

B. The changes in capital surplus were as follows:

	2020			
	Issue Premium	Stock Options	Others	Total
January 1	$ 4,457,016	$ 2,110	$ 546	$ 4,459,672
Cash capital increase	692,844	-	-	692,844
Due to recognition of equity component of convertible bonds issued	-	48,201	-	48,201
Convertible corporate bonds converted to common stocks	57,737	(2,110)	-	55,627
December 31	$ 5,207,597	$ 48,201	$ 546	$ 5,256,344

	2019			
	Issue Premium	Stock Options	Others	Total
January 1	$ 3,330,877	$ 45,886	$ 357	$ 3,377,120
Cash capital increase	176,158	(7,731)	-	168,427
Convertible corporate bonds converted to common stocks	949,981	(35,856)	-	914,125
Reversal of invalid stock options	-	(189)	189	-
December 31	$ 4,457,016	$ 2,110	$ 546	$ 4,459,672

(16) Retained earnings

A. In the shareholders’ meeting held on June 12, 2020, the Company passed a resolution to amend the Articles of Incorporation, stipulating that the Company may, at the end of each semi-fiscal year, distribute earnings in the form of stock dividends upon supermajority resolution in the shareholders’ meeting or in the form of cash dividends upon the Board of Directors’ resolution. In accordance with the amended Articles of Incorporation, the Company shall (1) first make up the loss over the years, set aside a legal surplus reserve at 10% of the remaining earnings until the accumulated legal surplus reserve equals the Company's paid-in-capital; (2) set aside a special surplus reserve in accordance with the rules of the public offering company or at the request of the competent authority; and (3) may set aside less than 3% of the remaining earnings as directors’ remuneration and less than 3% of the remaining profits as bonuses to the employees of the Company and subsidiaries.

B. When the Company's earnings are distributed, dividends distributed to shareholders should not be less than the balance of the remaining earnings net of 20% of the amounts in the preceding (1) (2), wherein the cash dividend issued should not be less than 20% of the dividends.

C. In accordance with the Articles of Incorporation, the Company shall not distribute dividends or assign dividends or other assignments in respect of the realized or unrealized benefits of the Company, the premium account for the issuance of shares, or other payments permitted by the Cayman Company Act; provided that the legal surplus reserve is more than 25% of paid-in-capital, only the legal surplus reserve shall be accumulated as the above allocation and shall be limited to the portion of the legal surplus reserve in excess of 25% of the paid-in-capital.

D. (A) When the Company distributes earnings, it should make special surplus reserve accumulated in respect of the debit balance of other equity on the balance sheet date in accordance with the provisions of the laws. When the debit balance of subsequent other equity is reversed, the amount reversed may be included in the earnings available for distribution.

(B) Upon the first application of the IFRSs, a special surplus reserve set aside in letter No. 1010012865 issued by the FSC on April 6, 2012 is to be reversed when the Company subsequently uses, disposes of or reclassifies the related assets.

E.The appropriations of earnings for 2019 and 2018 which have been resolved in the shareholders' meeting on June 12, 2020 and June 12, 2019 respectively, were as follows:

	2019		2018	
	Amount	Dividends per share (NT$)	Amount	Dividends per share (NT$)
Legal surplus reserve	$ 127,920		$ 74,300	
Special surplus reserve	$ 262,634		($ 25,593)	
Cash dividends	$ 963,059	$ 5.5	$ 588,178	$ 3.68

Regarding the dividends per share on the distribution of earnings for the year ended December 31, 2019 and 2018, the Company converted the convertible corporate bonds and did not transfer the redeemed treasury stocks to employees, the Board of Directors resolved on June 12, 2020 and June 12, 2019 to authorize the Chairman to adjust the dividend rate to NT$5.52 and NT$3.63 respectively.

F. The appropriations of interim earnings for 2020 which have been resolved by the Board of Directors, were as follows:

	For the second half year of 2020	For the first half year of 2020
Board resolution date	February 26, 2021	December 28, 2020
Legal surplus reserve	$ 37,151	$ 52,606
Special surplus reserve	($ 15,441)	$ 169,454
Cash dividends	$ 315,410	$ 389,623
Dividends per share (NT$)	$ 1.70	$ 2.10

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

Before the record date of the appropriations of interim earnings for 2020, if the number of outstanding shares is affected by the conversion of convertible corporate bonds, the issuance of restricted stock for employees, or other factors, resulting in a change in shareholders’ dividends and a need for modification, it should be reported to the Board of Directors, which should authorize the Chairman to act at his/her own discretion.

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

(17) Operating revenue

	Year Ended December 31,2020	Year Ended December 31,2019
Revenue from Contracts with Customers	$ 11,345,641	$ 12,842,525

A. Breakdown of customer contract income

The income of the Group originates from the transfer of goods at a certain point. Income can be broken down according to the type of business. For relevant information, refer to Note 14(2).

B. Contract liabilities

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

	December 31, 2020	December 31, 2019	January 1, 2019
Contract liability			
Sales revenue received in advance	$ 52,618	$ 28,538	$ 27,619

Opening contract liabilities - income recognized in the current period:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Opening contract liabilities - income recognized in the current period		
- Sales revenue received in advance	$ 27,506	$ 27,619

(18) Interest revenue

	Year Ended December 31, 2020	Year Ended December 31, 2019
Interest on bank deposits	$ 9,727	$ 10,529

(19) Other revenue

	Year Ended December 31, 2020	Year Ended December 31, 2019
Government grants	$ 12,890	$ 21,057
Other revenue - others	51,596	41,979
	$ 64,486	$ 63,036

(20) Other gains and losses

	Year Ended December 31, 2020	Year Ended December 31, 2019
Losses on disposal of property, plant, and equipment	($ 8,041)	($ 8,861)
Foreign exchange (loss) gain	(250,516)	29,200
Gain on financial assets and liabilities measured at fair value through profit and loss	4,785	8,871
Other losses	(19,588)	(12,801)
	($ 273,360)	$ 16,409

(21) Finance costs

	Year Ended December 31, 2020	Year Ended December 31, 2019
Bank borrowing	$ 17,821	$ 24,646
Convertible bonds	2,650	7,086
Lease liabilities	4,483	3,048
	$ 24,954	$ 34,780

(22) Expenses expressed by Nature

	Year Ended December 31, 2020	Year Ended December 31, 2019
Employee benefits		
Salary	$ 3,602,599	$ 3,741,322
Labor and health insurance	107,222	117,250
Pension	152,866	169,330
Others	72,812	71,280
	3,935,499	4,099,182
Depreciation	699,969	616,174
Amortization	33,104	39,051
	$ 4,668,572	$ 4,754,407

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

B. The employee bonus estimates of the Company in the year ended December 31, 2020 and 2019 were both NT$10,000, and the director remuneration estimates were both NT$10,000 The above amounts were accounted for as operating expenses. The above employees’ bonuses and directors' remuneration are assessed on the basis of the ratio set out in the Articles of Incorporation, taking into account such factors as net income as of the current period after consideration of the legal surplus reserve.

The employees' bonuses and directors' remuneration for the year ended December 31, 2019 approved by the Board of Directors are consistent with those recognized in the financial statements for the year ended December 31, 2019.

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

(23) Income tax

A. Income tax expenses

(A) Components of income tax expenses:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Current income tax:		
Income tax on current income	$ 182,644	$ 231,683
Overestimated income tax in prior periods	(13,259)	(1,773)
Total current income tax	169,385	229,910
Deferred income tax:		
Generation and reversal of temporary differences	(15,913)	5,748
Total deferred income tax	(15,913)	5,748
Income tax expenses	$ 153,472	$ 235,658

(B) Relationship between income tax expenses and accounting profits:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Income tax on income before income tax at statutory tax rate (Note)	$ 218,089	$ 431,146
Income tax effect of items removed according to law	11,957	17,719
Tax-free income under the Income Tax Act	(74,529)	(209,512)
Overestimated income tax in previous periods	(13,259)	(1,773)
Income tax effect of unrecognized deferred income tax assets and liabilities	11,214	(1,922)
Income tax expenses	$ 153,472	$ 235,658

Note: The statutory tax rate is calculated based on the applicable tax rate of the country where the income is generated.

C. The amount of deferred income tax assets or liabilities arising from temporary differences and tax losses were as follows:

	Year Ended December 31, 2020		
	January 1	Recognized in profit and loss (Note)	December 31
Temporary difference:			
- Deferred income tax assets			
Allowance for inventory market decline and obsolescence	$ 12,795	($ 5,114)	$ 7,681
Loss deduction	2,997	3,145	6,142
Deferred income after tax	27,188	(2,466)	24,722
Others	12,040	19,153	31,193
Subtotal	$ 55,020	$ 14,718	$ 69,738
- Deferred income tax liabilities			
Others	($ 1,981)	$ 1,195	($ 786)
Subtotal	($ 1,981)	$ 1,195	($ 786)

	Year Ended December 31, 2019		
	January 1	Recognized in profit and loss (Note)	December 31
Temporary difference:			
- Deferred income tax assets			
Allowance for inventory market decline and obsolescence	$ 15,045	($ 2,250)	$ 12,795
Loss deduction	9,312	(6,315)	2,997
Deferred income after tax	30,286	(3,098)	27,188
Others	5,089	6,951	12,040
Subtotal	$ 59,732	($ 4,712)	$ 55,020
- Deferred income tax liabilities			
Others	($ 945)	($ 1,036)	($ 1,981)
Subtotal	($ 945)	($ 1,036)	($ 1,981)

Note: The effect of tax rate changes is included.

D. The Company did not recognize deferred income tax liabilities for taxable temporary differences related to the investments of certain subsidiaries. The temporary differences of unrecognized deferred income tax liabilities as of December 31, 2020 and 2019 were NT$2,642,829 and NT$2,404,033 respectively.

E. The profit-seeking enterprise income tax returns of Capital Concord Enterprises Limited (H.K.), Taiwan Branch and Laya Max Trading Co., Ltd. for the year ended December 31, 2018 have been approved by the tax authorities.

(24) Earnings per share

	Year Ended December 31, 2020		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net income attributable to owners of the parent company	$ 897,575	177,369	$ 5.06
Diluted earnings per share			
Net income attributable to owners of the parent company	897,575	177,369	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	2,649	2,386	
Employee bonus	-	136	
Net income attributable to owners of the parent company & effect of potential ordinary shares	$ 900,224	179,891	$ 5.00

	Year Ended December 31, 2019		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT$)
Basic earnings per share			
Net income attributable to owners of the parent company	$ 1,279,195	163,819	$ 7.81
Diluted earnings per share			
Net income attributable to owners of the parent company	1,279,195	163,819	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	7,086	12,077	
Employee bonus	-	144	
Net income attributable to owners of the parent company & effect of potential ordinary shares	$ 1,286,281	176,040	$ 7.31

(25) Supplementary information on cash flows

A. Investing activities with partial cash payments:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Additions to property, plant and equipment	$ 1,036,711	$ 1,504,767
Less: Prepayments for land and equipment, beginning of period	(57,686)	(52,090)
Add: Prepayments for land and equipment, end of period	328,604	57,686
Add: Payables on equipment, beginning of period	270,888	267,378
Less: Payables on equipment, end of period	(337,623)	(270,888)
Cash paid	$ 1,240,894	$ 1,506,853

B. Financing activities that do not affect cash flows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Share capital converted from convertible corporate bonds	$ 14,384	$ 224,831

(26) Changes in liabilities from financing activities

	Short-term Loans	Lease Liabilities	Convertible Corporate 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	(272,559)	(61,461)	532,744	198,724
Other non-cash changes	-	248,655	(118,704)	129,951
Effects of exchange rate changes	(73,531)	(21,736)	-	(95,267)
December 31, 2020	$ 1,322,960	$ 527,719	$ 483,820	$ 2,334,499

	Long and short term loans and short-term notes	Lease Liabilities	Convertible corporate bonds (note)	Total Liabilities from Financing Activities
January 1, 2019	$ 1,087,264	$ -	$ 1,207,520	$ 2,294,784
First application of IFRS impact	-	235,140	-	235,140
Changes in cash flows from financing	608,837	(50,729)	(5,300)	552,808
Other non-cash flows	-	181,135	(1,132,440)	(951,305)
Effects of exchange rate changes	(27,051)	(3,285)	-	(30,336)
December 31, 2019	$ 1,669,050	$ 362,261	$ 69,780	$ 2,101,091

Note: The portion due within one year is included.

7. Related Party Transactions

Key management compensation

	Year Ended December 31, 2020	Year Ended December 31, 2019
Short-term employee benefits	$ 44,493	$ 68,427
Share-based payment	12,334	-
Total	$ 56,827	$ 68,427

8. Pledged Assets

	Carrying amounts		
Assets	December 31, 2020	December 31, 2019	Guarantee use
Land	$ 101,818	$ 107,181	Short-term loans
Buildings	154,051	166,612	Short-term loans
Financial assets at amortized cost (recognized in other current assets and other non-current assets)	40,850	20,208	Performance bond for power supply contract
Refundable deposits (recognized in other non-current assets)	2,884	4,821	Deposits for leased land and other
	$ 299,603	$ 298,822	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments

Commitments

(1) Capital expenditures contracted but not yet incurred:

	Contract Price	
	December 31, 2020	December 31, 2019
Property, plant and equipment	$ 1,158,583	$ 991,045

	Unpaid Price	
	December 31, 2020	December 31, 2019
Property, plant and equipment	$ 630,024	$ 451,630

(2) Outstanding letters of credit:

	December 31, 2020	December 31, 2019
Outstanding letters of credit	$ 35,485	$ 16,548

10. Significant Disaster Losses

None.

11. Significant Events after the End of the Reporting Period

None.

12. Others

(1) Capital management

Based on the characteristics of the current industry and the future development of the Company, and considering factors such as changes in the external environment, the Group plans for the working capital, research and development expenses, and dividends needed in the future to ensure that the Group can continue to operate, provide feedback to shareholders, take into account the interests of other stakeholders, and maintain the best capital structure to enhance shareholders' value in the long run. In order to maintain or adjust the capital structure, the Group may adjust the dividend amount paid to shareholders, issue new shares, return cash to shareholders, or buy back shares of the Group.

The Group monitors funds by reviewing the asset-liability ratio periodically. The Group's capital is the "total equity" shown in the balance sheet, which is also equal to the "total assets less the total liabilities." The Group's asset-liability ratio as of December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Total liabilities	$ 5,834,740	$ 4,715,457
Total assets	$ 14,350,057	$ 12,989,167
Debt ratio	40.66%	36.30%

(2) Financial instruments

A. Categories of financial instruments

	December 31, 2020	December 31, 2019
Financial Assets		
Financial assets at fair value through profit and loss		
Financial assets mandatorily measured at fair value through profit or loss	$ 9,289	$ 4,626
Financial assets designated as measured at fair value through profit or loss	-	28
Financial assets mandatorily measured at fair value through profit or loss	$ 9,289	$ 4,654
Financial assets/loans and receivables measured at amortized cost		
Cash and cash equivalents	$ 1,567,828	$ 1,373,474
Accounts receivable	2,270,550	2,329,423
Other receivables	184,911	222,416
Financial assets at amortized cost - current	82,723	62,855
Refundable deposits	2,884	4,821
Financial assets at amortized cost - non-current	1,744	403
	$ 4,110,640	$ 3,993,392
Financial Liabilities		
Financial liabilities at fair value through profit and loss		
Financial liabilities designated as measured at fair value through profit or loss	$ 250	$ -
Financial liabilities measured at amortized cost		
Short-term loans	$ 1,322,960	$ 1,669,050
Accounts payable	1,666,662	1,393,220
Other payables	1,391,483	880,558
Corporate bonds payable	483,820	69,780
	$ 4,864,925	$ 4,012,608
Lease liabilities (current and non-current)	$ 527,719	$ 362,261

B. Risk management policy

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

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

C. Nature and degree of significant financial risks

(A) Market risk

<u>Exchange rate risk</u>

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

b. To avoid the decrease in foreign currency assets and future fluctuations in cash flows caused by exchange rate movements, the Group uses derivative financial instruments to hedge the exchange rate risk. This kind of derivative financial instrument can be used to assist the Group in reducing but not entirely eliminating the impact of foreign currency exchange rate movements.

c. The Group’s business involves the use of various non-functional currencies (the Company and some subsidiaries’ functional currency is NTD, whereas some subsidiaries’ functional currencies are RMB, USD, 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 the exchange rates fluctuation and market risk were as follows:

(Foreign currency: functional currency)	December 31, 2020					
				Sensitivity Analysis		
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
Financial Assets						
Monetary items						
USD: RMB	$ 13,649	6.5295	$ 388,726	5%	$ 19,436	$ -
RMB: USD	55,307	0.1532	241,236	5%	12,062	-
Financial Liabilities						
Monetary items						
USD: RMB	$ 289	6.5295	$ 8,220	5%	$ 411	$ -
NTD: USD	1,049,304	0.0351	1,049,304	5%	52,465	-

(Foreign currency: functional currency)	December 31, 2019					
				Sensitivity Analysis		
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
Financial Assets						
Monetary items						
USD: RMB	$ 11,256	6.9640	$ 337,460	5%	$ 16,873	$ -
RMB: USD	55,123	0.1436	237,303	5%	11,865	-
Financial Liabilities						
Monetary items						
USD: RMB	$ 1,461	6.9640	$ 43,803	5%	$ 2,190	$ -
NTD: USD	1,055,417	0.0334	1,055,417	5%	52,771	-

d. The Group's monetary items were significantly impacted by the exchange rate changes, and the total exchange gains and (losses) (including realized and unrealized) for the year ended December 31, 2020 and 2019 were NT$(250,516) and NT$29,200 respectively.

Price risk

a. The Group's equity instruments exposed to price risk are financial assets at fair value through profit or loss. To manage the price risk of investment in equity instruments, the Group diversifies its portfolio based on the limits set by the Group.

b. The Group’s investments in equity instruments comprise domestic publicly quoted entities, and the prices of these equity instruments are affected by uncertainties in the future value of the investment targets. If the prices of these equity instruments were 5% higher or lower, with all other variables held constant, the Group’s net income for the year ended December 31, 2020 and 2019 from gains or losses on equity instruments mandatorily measured at fair value through profit or loss would have increased or decreased NT$464 and NT$231 respectively.

Cash flow and fair value interest rate risk

a. The Group's interest rate risk arises primarily from the short-term loans, short-term notes payable, and long-term loans issued at floating rates, which exposes the Group to the cash flow interest rate risk. In the year ended December 31, 2020 and 2019, the Group's loans issued at floating rates were mainly denominated in NTD and USD.

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

c. If the loan interest rate increased or decreased 0.1%, with all other variables held constant, net income for the year ended December 31, 2020 and 2019 would have decreased or increased NT$1,058 and NT$1,334 respectively, due to the changes in interest expenses caused by the loans issued at floating rates.

(B) Credit risk

a. The Group's credit risk is primarily attributable to the Group's financial loss from customers’ or financial instruments' counterparties’ failure to fulfill contractual obligations. The main reason is that the counterparties are unable to settle the accounts receivable per payment terms.

b. The Group has established a management and credit risk analysis for each new customer, before making the payment and delivery of the Company's individual business within the stipulated payment and delivery of delivery policies according to the internal defined credit policy. The internal risk control is evaluated by considering its financial situation, past experience and other factors to assess the credit quality of customers. The limits of individual risks are formulated by the Board of Directors based on internal or external ratings, and the utilization of credit line is regularly monitored. The main credit risks come from cash and cash equivalents, derivative financial instruments, deposits at banks and financial institutions, as well as credit risks from customers, including uncollected accounts receivable. For banks and financial institutions, only institutions with good credit ratings will be accepted as trading partners.

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

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

e. Based on the internally specified accounting policies of the Group, it is deemed as a breach of contract when the contractual payments are overdue for more than 365 days in accordance with stipulated payment terms.

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

g. After recourse procedures, the Group writes off the recoverable financial assets that cannot be reasonably expected; nonetheless, the Group will keep legal recourse to secure its creditor’s rights The group had no creditors' rights that had been written off but still could be recourse as of December 31, 2020 and 2019.

h. The Group adjusts the loss rate established on the history of certain periods and current information for prospective considerations to estimate the loss allowance for accounts receivable. The reserve matrixes as of December 31, 2020 and 2019 were as follows:

December 31, 2020	Expected Loss Rate	Total Carrying Amount	Allowance for Loss
Current	0.00%	$ 2,209,713	$ -
Overdue 0 to 90 days	0.85%	55,215	471
Overdue 91 to 180 days	5.95%	3,632	216
Overdue 181 to 365 days	26.66%	3,650	973
Over 365 days past due	100.00%	3,160	3,160
Total		$ 2,275,370	$ 4,820

December 31, 2019	Expected Loss Rate	Total Carrying Amount	Allowance for Loss
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		$ 2,338,138	$ 8,715

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

	2020	
	Accounts receivable	
January 1	$	8,715
Reversal of impairment loss	(	3,770)
Effect of exchange rate changes	(	125)
December 31	$	4,820

	2019	
	Accounts receivable	
January 1	$	3,630
Impairment loss		5,383
Effect of exchange rate changes	(	298)
December 31	$	8,715

j. The Group’s financial assets at amortized cost are time deposits and restricted deposits with an original maturity of more than 3 months, which are measured per “12 months.” The expected loss rate was small, so the loss allowances as of December 31, 2020 and 2019 were both NT$0.

(C) Liquidity risk

a. The cash flow forecast is performed by each operating entity of the Group and compiled by the Group's treasury. The Group's treasury monitors rolling forecasts of the Group’s liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.

b. The Group's treasury invests surplus cash in interest-bearing demand deposits and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasts.

c. As of December 31, 2020 and 2019, the Group had unused borrowing facilities of NT$3,776,320 and NT$3,218,810 respectively.

d. The following table is the Group's non-derivative financial liabilities, classified according to the relevant maturity date; the non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date; the derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date; the amounts of contractual cash flows disclosed in the following table are the undiscounted amount.

Non-derivative financial liabilities:

December 31, 2020	Less than 6 months	7 to 12 months	1 to 2 years	2 to 5 years	More than 5 years
Short-term loans	$1,143,613	$ 180,888	$ -	$ -	$ -
Accounts payable	1,666,662	-	-	-	-
Other payables	1,342,832	48,651	-	-	-
Corporate bonds payable	-	-	-	500,000	-
Lease liabilities	13,864	14,165	19,110	57,289	455,181

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

(3) Fair value information

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

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

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

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

B. Financial instruments not measured at fair value

(A) The carrying amounts of cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term loans, short-term notes payable, notes payable, accounts payable, and other payables are a reasonable approximation of their fair values (except those stated in the following table). The interest rate of long-term 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:

	December 31, 2020	
	Carrying amount	Fair Value Level 3
Bonds payable	$ 483,820	$ 487,857

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

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

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

December 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
Recurring fair value				
Financial assets at fair value through profit and loss				
- Listed company stock	$ 9,289	$ -	$ -	$ 9,289
Liabilities				
Recurring fair value				
Financial assets at fair value through profit and loss				
- Redemption right of convertible corporate bonds	$ -	$ -	($ 250)	($ 250)

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

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

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

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

E. There was no transfer between Level 1 and Level 2 between the year ended December 31, 2020 and 2019.

F. The following table shows the changes in Level 3 in the year ended December 31, 2020 and 2019:

	2020	2019
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	$ 28	($ 5,500)
Gains or losses recognized in profit or loss (Note)	122	6,099
Current conversion	(150)	(571)
Current issuance	(250)	-
December 31	($ 250)	$ 28

Note: Recognized in other gains and losses.

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

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

	Fair Value as of December 31, 2020	Evaluation Technique	Significant Unobservable Input	Interval (Weighted Average)	Relationship between Input and Fair Value
Hybrid instruments:					
Redemption right of corporate bonds	($ 250)	Binomial tree evaluation model	Volatility	51.07%	The higher the volatility, the higher the fair value.

	Fair Value as of December 31, 2020	Evaluation Technique	Significant Unobservable Input	Interval (Weighted Average)	Relationship between Input and Fair Value
Hybrid instruments:					
Redemption right of corporate bonds	$ 28	Binomial tree evaluation model	Volatility	33.34%	The higher the volatility, the higher the fair value.

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

			December 31, 2020	
			Recognized in Profit or Loss	
	Input value	Change	Favorable change	Unfavorable change
Financial Liabilities				
Hybrid instruments	Volatility	±5%	$ 150	($ 250)

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

13. Supplementary Disclosures

(1) Information on significant transactions

A. Loans to Others: Refer to Appendix 1.

B. Provision of Endorsements and Guarantees to Others: Refer to Appendix 2.

C. Holding of Marketable Securities (Not Including Subsidiaries, Associates, and Joint Ventures): Refer to Appendix 3.

D. Accumulated Acquisition or Disposal of the Same Securities Reaching NT$300 Million or 20% of Paid-in Capital or More: None.

E. Acquisition of Real Estate Reaching NT$300 Million or 20% of Paid-in Capital or More: None.

F. Disposal of Real Estate Reaching NT$300 Million or 20% of Paid-in Capital or More: None.

G. Purchases or Sales of Goods from or to Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More: Refer to Appendix 4.

H. Receivables from Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More: Refer to Appendix 5.

I. Derivatives transactions: None.

J. Parent-subsidiary and Subsidiary-subsidiary Business Relations and Significant Transactions and Amounts Thereof: Refer to Appendix 6.

(2) Information on reinvested business

Information on Invested Companies (Not Including Investee Companies in Mainland China): Refer to Appendix 7.

(3) Information on investments in China

A. Basic Information: Refer to Appendix 8.

B. Significant Transactions with Investee Companies in Mainland China Directly or Indirectly through Entities in a Third Area: Refer to Note 13(1).

(4) Information on major shareholders

Information on Major Shareholders: Refer to Appendix 9.

14. Segment Information

(1) General information

The principal business of the Company and subsidiaries is the production and sale of sports and leisure outdoor shoes. The Group's Board of Directors is the operating decision maker, which allocates resources and assesses the 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 organization, the basis of department segmentation, and principles for measuring segment information for the period were not significantly changed.

(2) Segment information

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

	Year Ended December 31, 2020			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 11,295,290	$ 50,310	$ 41	$ 11,345,641
Inter-segment revenue	7,680,439	1,185,220	1,289	8,866,948
Total revenue	$ 18,975,729	$ 1,235,530	$ 1,330	$ 20,212,589
Segment profit (loss)	$ 1,046,620	$ 32,200	$ 891,985	$ 1,970,805
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

	Year Ended December 31, 2019			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	$ 12,796,483	$ 44,631	$ 1,411	$ 12,842,525
Inter-segment revenue	9,279,799	1,311,740	1,349	10,592,888
Total revenue	$ 22,076,282	$ 1,356,371	$ 2,760	$ 23,435,413
Segment profit (loss)	$ 1,446,400	$ 90,581	$ 1,268,920	$ 2,805,901
Segment total assets (Note)	$ -	$ -	$ -	$ -
Segment total liabilities (Note)	$ -	$ -	$ -	$ -

Note: Since the Group has not provided the measured amount of assets and liabilities for the chief operating decision-maker, segment total assets and total liabilities are not disclosed.

(3) Reconciliation of segment revenue and profit or loss

A. The total adjusted revenue for the current period is reconciled with the total revenue of the continuing operations as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Revenue after adjustment from reportable operating segments	$ 20,211,259	$ 23,432,653
Revenue after adjustment from other operating segments	1,330	2,760
Total revenue from operating segments	20,212,589	23,435,413
Elimination of inter-segment revenue	(8,866,948)	(10,592,888)
Total consolidated operating revenue	$ 11,345,641	$ 12,842,525

B. Net operating income after adjustment in the period and income before tax from continuing operations is reconciled below:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Income before tax after adjustment from reportable operating segments	$ 1,078,820	$ 1,536,981
Income before tax after adjustment from other operating segments	891,985	1,268,920
Total income after tax from operating segments	1,970,805	2,805,901
Elimination of inter-segment revenue	(921,819)	(1,293,732)
Income before tax from continuing operations	$ 1,048,986	$ 1,512,169

(4) Product and service information

The principal business of the Company is the production and sale of sports and leisure outdoor shoes. Since the segment's operating revenue, operating income, and identifiable assets used the account for more than 90% of total operating revenue, total operating income, and total assets, the segment is classified as a single industry.

(5) Information by area

The Company's revenue by area is calculated based on the continent of sale. Non-current assets are classified according to the country of origin, including property, plant and equipment, right-of-use assets, intangible assets, and other non-current assets and excluding financial products and deferred income tax assets.

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Revenue	Non-current assets	Revenue	Non-current assets
Domestic (Note)	$ 654,778	$ 1,481,820	$ 729,760	$ 1,590,732
Asia	855,981	5,742,470	1,260,870	5,069,244
America	4,145,501	-	4,620,981	-
Europe	5,505,054	-	5,974,999	-
Africa	58,255	-	81,884	-
Australia	126,072	-	174,031	-
Total	$ 11,345,641	$ 7,224,290	$ 12,842,525	$ 6,659,976

Note: Domestic sales refer to sales in China.

(6) Information on key accounts

The information on the Company's key accounts in the year ended December 31, 2020 and 2019 were as follows:

	Year Ended December 31, 2020			Year Ended December 31, 2019	
	Revenue	Segment		Revenue	Segment
A	$2,630,162	Production and sale of shoes	A	$2,125,398	Production and sale of shoes
B	1,156,757	Production and sale of shoes	C	1,656,552	Production and sale of shoes
C	1,143,930	Production and sale of shoes	B	1,683,681	Production and sale of shoes
	$4,930,849		D	1,472,038	Production and sale of shoes
				$6,937,669	

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Loans to Others
For the Year Ended December 31, 2020

Appendix 1

Unit NTD thousand

No. (Note 1)	Creditor	Borrower	General Ledger Account	Related Party	Maximum Balance for the Period	Ending Balance (Note 4)	Amount Actually Drawn	Interest rate	Nature of loan	Transaction Amounts	Reason for short- term Financing	Allowance for Bad Debt	Collateral		Financing Limits for Each Borrowing Company (Note 2)	Financing Company's Total Financing Amount Limits (Note 3)	Note
													Item	Value			
1	Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Other receivables	Y	$ 449,149	$ 439,256	$ 439,256	1.80%	Short-term financing	$ -	Operating capital	$ -	None	$ -	$ 724,908	$ 906,135	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 Q4 2020, the exchange rates for assets and profit or loss were USD:NTD=28.48 and USD:NTD=29.5332, respectively.
Note 5: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Provision of Endorsements and Guarantees to Others
For the Year Ended December 31, 2020

Appendix 2

Unit NTD thousand
(Unless Otherwise Specified)

		Party Being Endorsed/Guaranteed												
No. (Note 1)	Endorser/ Guarantor	Company Name	Relationship (Note 2)	Limit on Endorsements/ Guarantees Provided for a Single Party (Note 3)	Maximum Outstanding Endorsement/ Guarantee Amount for the Period	Outstanding Endorsement/ Guarantee Amount	Amount Actually Drawn	Amount of Endorsements /Guarantees Secured with Collateral	Ratio of Accumulated Endorsement/ Guarantee Amount to Net Asset Value of the Endorser/ Guarantor Company (%)	Ceiling on Total Amount of Endorsements/ Guarantees Provided (Note 4)	Provision of Endorsements/ Guarantees by Parent Company to Subsidiary	Provision of Endorsements/ Guarantees by Subsidiary to Parent Company	Provision of Endorsements/ Guarantees to the Party in Mainland China	Note
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiaries	$ 5,587,781	$ 75,625	$ -	$ -	$ -	0.00%	$ 7,450,374	Y	N	Y	Note 3

Note 1: The numbers filled in for the endorsements/guarantees provided by the Company and subsidiaries are as follows:
(1) For the issuer, fill in "0".
(2) Investee companies are numbered in order starting from "1."
Note 2: The relationship between the endorser/guarantor and the party endorsed/guaranteed is classified into the following seven categories (mark the category number only):
(1) A company with which the Company conducts business.
(2) A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.
(3) A company which directly, and indirectly, holds more than 50% of the voting shares in the Company.
(4) Companies in which the Company directly, and indirectly, holds more than 90% of the voting shares.
(5) A company fulfilling its contractual obligations by providing mutual endorsements/guarantees for another company in the same industry or for joint builders for purposes of undertaking a construction project.
(6) A company where all capital contributing shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.
Note 3: The limit of endorsements/guarantees provided for a single party is 60% of the net worth of Capital Concord Enterprise Limited.
Note 4: The maximum amount available for endorsements/guarantees is 80% of the net worth of Capital Concord Enterprise Limited
Note 5: The joint guarantor of the endorsement/guarantee is Lin, Wen-Chih.
Note 6: In Q4 2020, the exchange rates for assets and profit or loss were USD:NTD=28.48 and USD:NTD=29.5332, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Holding of Marketable Securities (Not Including Subsidiaries, Associates, and Joint Ventures))
December 31, 2020

Appendix 3

Unit NTD thousand
(Unless Otherwise Specified)

Securities Held by	Marketable Securities (Note 1)	Relationship with the Securities Issuer	General Ledger Account	End of Period						Note
				Number of Shares	Book Value		Ratio of Shareholding	Fair Value		
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	$	9,289	0.61	$	9,289	-

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 Year Ended December 31, 2020

Appendix 4

Unit NTD thousand
(Unless Otherwise Specified)

			Transaction Details				Unusual Trade Conditions and Its Reasons (Note)		Notes and Accounts Receivable (Payable)		
Purchaser/Seller	Name of the Counterparty	Relationship with the Counterparty	Purchase/Sale	Amount	Percentage of Total Purchases (Sales)	Credit Term	Unit Price	Credit Term	Balance	Percentage of Total Notes/Accounts Receivable (Payable)	Note
Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	Subsidiary	Purchase	$ 1,772,257	0.20	180 days after purchase	Note 1	Note 1	($1,370,936)	(0.82)	Notes 2 and 3
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiary	Purchase	940,207	0.10	90 days after purchase	Note 1	Note 1	(426,811)	(0.26)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiary	Purchase	2,166,565	0.24	120 days after purchase	Note 1	Note 1	(143,917)	(0.09)	Notes 2 and 3
Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiary	Purchase	198,047	0.02	180 days after purchase	Note 1	Note 1	(98,557)	(0.06)	Notes 2 and 3
Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	Subsidiary	Purchase	368,480	0.04	180 days after purchase	Note 1	Note 1	(321,279)	(0.19)	Notes 2 and 3
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiary	Purchase	1,368,830	0.15	120 days after billing	Note 1	Note 1	(23,632)	(0.01)	Notes 2 and 3
Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	Subsidiary	Purchase	659,305	0.07	120 days after billing	Note 1	Note 1	(145,190)	(0.09)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sale	(582,245)	(0.05)	135 days after sale	Note 1	Note 1	81,047	0.04	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sale	(304,346)	(0.03)	90 days after sale	Note 1	Note 1	85,024	0.04	Notes 2 and 3
Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiary	Sale	(152,241)	(0.01)	135 days after sale	Note 1	Note 1	51,138	0.02	Notes 2 and 3
Fujian Sunshine Footwear Co., Ltd.	Hubei Sunsmile Footwear Co., Ltd..	Subsidiary	Sale	(100,012)	(0.01)	60 days after sale	Note 1	Note 1	54,532	0.02	Notes 2 and3

Note 1: Sales transactions between the Group and related parties are valuated based on reasonable profits; thus, selling prices to related parties and those to non-related parties are incomparable. In terms of payment terms, there was no significant difference between related parties and non-related parties.
Note 2: In Q4 2020, the exchange rates for assets and profit or loss were USD:NTD=28.48 and USD:NTD=29.5332, respectively.
Note 3: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Receivables from Related Parties Reaching NT$100 Million or 20% of Paid-in Capital or More
December 31, 2020

Appendix 5

Unit NTD thousand
(Unless Otherwise Specified)

Creditor	Name of the Counterparty	Relationship with the Counterparty	Accounts Receivable Balance from Related Party	Turnover Rate	Overdue Receivable Amount	Overdue Receivable Actions Taken	Amount Collected Subsequent to the Reporting Period (Note 1)	Allowance for Bad Debt	Note
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	$ 1,370,936	1.21	$ -	-	$ 396,467	$ -	Notes 2 and 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	321,279	1.19	-	-	84,930	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	439,256	-	-	-	-	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	426,811	2.38	-	-	291,593	-	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	145,190	3.31	-	-	144,324	-	Notes 2 and 3
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Capital Concord Enterprises Limited	Parent company	143,917	15.20	-	-	141,746	-	Notes 2 and 3

Note 1: The subsequent collections represent collections from the balance sheet date to February 26, 2021.
Note 2: In Q4 2020, the exchange rates for assets and profit or loss were USD:NTD=28.48 and USD:NTD=29.5332, 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 Year Ended December 31, 2020

Appendix 6

Unit NTD thousand
(Unless Otherwise Specified)

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status: General Ledger Account	Transaction Status: Amount (Note 5)	Transaction Status: Trade terms	Transaction Status: Percentage of Consolidated Total Revenues or Total Assets (Note 3)
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Accounts payable	$ 1,370,936	Note 4	9.55%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	321,279	Note 4	2.24%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Accounts payable	426,811	Note 4	2.97%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Other payables	439,256	Note 4	3.06%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Sale	582,245	Note 4	5.13%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	1,772,257	Note 4	15.62%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Purchase	198,047	Note 4	1.75%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Purchase	368,480	Note 4	3.25%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Purchase	940,207	Note 4	8.29%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Purchase	2,166,565	Note 4	19.10%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Purchase	1,368,830	Note 4	12.06%
1	Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	1	Purchase	659,305	Note 4	5.81%
2	Fujian Laya Outdoor Products Co., Ltd.	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sale	304,346	Note 4	2.68%
3	Capital Concord Enterprises Limited Taiwan Branch (H.K.)	Lin Wen Chih Sunbow Enterprises Co., Ltd.	3	Sale	152,241	Note 4	1.34%

Note 1: The numbers filled in for parent-subsidiary transactions are described as follows:
(1) The parent company is numbered "0." (2) The subsidiaries are numbered in order starting from "1."
Note 2: Relationships are categorized into the following three types. Please specify the type. (The same transaction shall not be disclosed repetitively. For example, if the transaction between the parent company and a subsidiary has been disclosed by the parent company, it need not be disclosed by the subsidiary.)
(1) Parent company to subsidiary. (2) Subsidiary to parent company. (3) Inter-subsidiary.
Note 3: Regarding the percentage of the transaction amount to consolidated total revenues or total assets, it is computed based on the ending balance to consolidated total assets for balance sheet items, and on interim accumulated amount to consolidated total revenues for profit or loss items.
Note 4: Agreed on by both parties based on market conditions.
Note 5: In Q4 2020, the exchange rates for assets and profit or loss were USD:NTD=28.48 and USD:NTD=29.5332, respectively.
Note 6: The disclosure standard is more than $150 million for the transaction amount.
Note 7: Offset in consolidated statements.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Information on Investee Companies (Not Including Investee Companies in Mainland China)
For the Year Ended December 31, 2020

Appendix 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
				End of Period	End of Last Year	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	$ 6,585,827	$ 5,307,307	1,733,000,000	100	$ 9,312,968	$ 942,591	$ 942,591	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	2,338,995	344,399	344,399	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	192,963	(6,241)	(5,696)	Subsidiaries
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	1,378,493	1,098,870	-	100	1,450,193	25,161	25,161	Subsidiaries
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production	1,271,442	1,165,931	-	100	1,197,699	18,990	18,990	Subsidiaries
Capital Concord Enterprises Limited	Laya Outdoor Products Limited	Hong Kong	Holding company	40,449	40,449	10,618,000	100	35,565	(2,332)	(2,332)	Subsidiaries
Capital Concord Enterprises Limited	Laya Max Trading Co., Ltd.	Taiwan	Distribution Agent and Import and Export Trade	12,395	12,395	-	100	16,595	212	112	Subsidiaries
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	184,611	184,611	-	100	177,682	471	471	Subsidiaries

Note 1: The companies with "-" in the blank had no shares issued.
Note 2: The historical exchange rate was adopted.
Note 3: In Q4 2020, the exchange rates for assets and profit or loss were USD:NTD=28.48 and USD:NTD=29.5332, respectively.

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Subsidiaries Information on Investments in Mainland China
For the Year Ended December 31, 2020

Appendix 8

Unit NTD thousand
(Unless Otherwise Specified)

Investee Company in China	Main Businesses	Paid-in Capital (Note 3)	Investment Method (Note 2)	Accumulated Amount Remitted from Taiwan to Mainland China, as of Beginning of Period (Note 5)	Amount of Investment Remitted or Recovered in Current Period (Note 5): Remitted to Mainland China	Amount of Investment Remitted or Recovered in Current Period (Note 5): Remitted back to Taiwan	Amount Remitted from Taiwan to Mainland China, as of End of Period (Note 5)	Net Income (Loss) of the Investee in Current Period	Ownership Held by the Company	Investment Income (Loss) Recognized in Current Period (Notes 4 and 6)	Book Value of Investments in Mainland China, as of End of Period (Note 4)	Accumulated Amount of Investment Income Remitted Back to Taiwan, as of End of Period	Note
Fujian Sunshine Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	$ 723,826	2	$ -	$ -	$ -	$ -	($ 67,133)	100	(54,576)	$ 2,082,018	$ -	Note 1
Hubei Sunsmile Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	1,825,033	2	-	-	-	-	13,955	100	21,235	1,811,253	-	
Sunny Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	130,680	2	-	-	-	-	1,385	100	1,385	413,040	-	
Fujian Laya Outdoor Products Co., Ltd.	Distribution Agent and Import and Export Trade	40,656	2	-	-	-	-	23,679	100	26,335	243,471	-	
Fujian La Sportiva Co., Ltd.	Distribution Agent and Import and Export Trade	67,148	2	-	-	-	-	(3,790)	60	(2,274)	34,929	-	

Note 1: Fujian Sunshine Footwear Co., Ltd. had merged Hang Cheng Company and Yue Chen Company with the approval of the local competent authority on May 17, 2011. The initial investment amount included the original investment of US$4,000 thousand (equivalent to NT$120,000 thousand) in Hang Cheng Company and Yue Chen Company.

Note 2: Investment methods are classified into the following three categories (fill in the category number):
(1) Investment in Mainland China companies by remittance through a third region;
(2) Investment in Mainland China companies through a company established in a third region; or
(3) Investment in Mainland China companies through an existing investee company in a third region.

Note 3: The historical exchange rate was adopted.

Note 4: In Q4 2020, the exchange rates for assets and profit or loss were USD:NTD=28.48 and USD:NTD=29.5332, respectively.

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

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

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries
Information on Major Shareholders
December 31, 2020

Appendix 9

Name of Major Shareholder	Shares: Number of shares	Shares: Percentage of Ownership(%)
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank	23,669,151	12.71
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	21,307,465	11.44
Fubon Life Insurance Co., Ltd	15,473,964	8.31

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

(1) The table lists the shareholders holding more than 5% of the company's ordinary shares and preference shares delivered in non-physical form (including treasury shares) as of the last business day of the end of each quarter, as calculated by Taiwan Depository & Clearing Corporation. The share capital recorded in the company's financial statements and the company's shares delivered in non-physical form may vary due to different calculation bases.

(2) If shareholders have their shares in trust of the bank, a trustee's investment account should be indicated individually; for the declaration of an insider's equity exceeding 10% of the company's total equity in accordance with the Securities and Exchange Act, shareholding includes the shares held by a shareholder plus the shares in trust and with the right to decide on their use. For information on the declaration of an insider's equity, please refer to the Market Observation Post System..