

Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries  
Consolidated Financial Statements  
With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2020 and 2019  
(Stock Code: 9802)

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## Independent Auditors' Review Report

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

### **Introduction**

The consolidated balance sheet of Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries (the Group) as of March 31, 2020 and 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and cash flows from January 1 to March 31, 2020 and 2019, and the consolidated financial report notes (including a summary of significant accounting policies) have been approved by the accountant. In accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the "Financial Supervisory Commission" to endorse and issue the entry into force of the IAS34 (Interim Financial Reporting) of the International Financial Reporting Standards (IFRSs), the preparation of permissible expression of the consolidated financial reporting is the responsibility of management department, the accountant's responsibility is based on the results of the audit to make a conclusion on the consolidated financial report.

### **Scope of Review**

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

### **Conclusion**

Based on the results of the accountant's review, we do not find that the consolidated financial reports are not in all significant respects in line with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" and the "Financial Supervisory Commission" for IAS34 (Interim Financial Reporting) of the International Financial Reporting Standards which are approved by the Financial Supervisory Commission and issued in force, therefore it is not possible to express properly the consolidated financial condition of Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries (the Group) as of March 31, 2020 and 2019, and the consolidated financial performance and consolidated cash flows from January 1 to March 31, 2020 and 2019.

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

**PricewaterhouseCoopers**  
Taipei, Taiwan  
Republic of China

April 30, 2020

#### Notes to Readers

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

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

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

As of March 31, 2020 and 2019

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

Consolidated Balance Sheets (CONT'D)

March 31, 2020, December 31, 2019, and March 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

Assets	Note	March 31, 2020		December 31, 2019		March 31, 2019		
		Amount	%	Amount	%	Amount	%	
<b>Current assets</b>								
1100	Cash and cash equivalents	6 (A)	\$ 1,354,973	10	\$ 1,373,474	10	\$ 1,434,894	12
1170	Accounts receivable, net	6 (C)	1,826,406	14	2,329,423	18	1,749,384	15
1200	Other receivables		264,161	2	222,416	2	175,978	1
130X	Inventories	6 (D)	2,447,709	19	2,142,441	16	2,243,954	19
1410	Prepayments		118,089	1	103,763	1	83,103	1
1470	Other current assets	6 (G) and 8	95,354	1	98,000	1	30,757	-
11XX	<b>Total current assets</b>		<u>6,106,692</u>	<u>47</u>	<u>6,269,517</u>	<u>48</u>	<u>5,718,070</u>	<u>48</u>
<b>Non-current assets</b>								
1510	Financial assets at fair value through profit or loss-non-current	6 (B)	3,299	-	4,654	-	2,318	-
1600	Property, plant and equipment	6 (E) and 8	5,829,322	45	5,727,356	44	5,213,173	44
1755	Right-of-use assets	6 (F)	727,462	6	775,909	6	653,405	6
1780	Intangible assets		15,965	-	16,242	-	16,498	-
1840	Deferred income tax assets	6 (U)	59,629	-	55,020	1	60,314	1
1900	Other non-current assets	6 (G) and 8	278,918	2	140,469	1	139,273	1
15XX	<b>Total non-current assets</b>		<u>6,914,595</u>	<u>53</u>	<u>6,719,650</u>	<u>52</u>	<u>6,084,981</u>	<u>52</u>
1XXX	<b>Total assets</b>		<u>\$ 13,021,287</u>	<u>100</u>	<u>\$ 12,989,167</u>	<u>100</u>	<u>\$ 11,803,051</u>	<u>100</u>

(Continued)

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As of March 31, 2020 and 2019

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

Consolidated Balance Sheets (CONT'D)

March 31, 2020, December 31, 2019, and March 31, 2019

(Expressed in Thousands of New Taiwan Dollars)

	Liabilities and Equity	Note	March 31, 2020		December 31, 2019		March 31, 2019	
			Amount	%	Amount	%	Amount	%
	<b>Current liabilities</b>							
2100	Short-term loans	6 (H) and 8	\$ 1,501,637	12	\$ 1,669,050	13	\$ 979,840	8
2110	Short-term notes payable		79,979	1	-	-	79,951	1
2130	Contract liabilities-current	6 (P)	21,324	-	28,538	-	12,703	-
2170	Accounts payable		1,331,512	10	1,393,220	11	1,168,121	10
2200	Other payables	6 (I)	828,807	6	880,558	7	779,121	7
2230	Current income tax liabilities	6 (U)	77,211	1	85,281	-	80,364	1
2280	Lease liabilities-current		17,113	-	29,073	-	21,208	-
2300	Other current liabilities	6 (K)	17,254	-	12,446	-	26,454	-
21XX	<b>Total current liabilities</b>		<u>3,874,837</u>	<u>30</u>	<u>4,098,166</u>	<u>31</u>	<u>3,147,762</u>	<u>27</u>
	<b>Non-Current liabilities:</b>							
2500	Financial liabilities at fair value through profit or loss-non-current	6 (B)	-	-	-	-	88	-
2530	Corporate bonds payable	6 (J)	52,056	-	69,780	-	855,485	7
2570	Deferred income tax liabilities	6 (U)	4,073	-	1,981	-	1,341	-
2580	Lease liabilities-non-current		298,939	2	333,188	3	207,582	2
2600	Other non-current liabilities	6 (K)	209,121	2	212,342	2	228,594	2
25XX	<b>Total non-current liabilities</b>		<u>564,189</u>	<u>4</u>	<u>617,291</u>	<u>5</u>	<u>1,293,090</u>	<u>11</u>
2XXX	<b>Total liabilities</b>		<u>4,439,026</u>	<u>34</u>	<u>4,715,457</u>	<u>36</u>	<u>4,440,852</u>	<u>38</u>
	<b>Equity attributable to owners of the parent company</b>							
	<b>Share capital</b>	6 (M)						
3110	Capital of common stock		1,751,113	14	1,747,566	14	1,589,915	14
	<b>Capital surplus</b>	6 (N)						
3200	Capital surplus		4,474,001	35	4,459,672	34	3,818,944	32
	<b>Retained earnings</b>	6 (O)						
3310	Legal capital reserve		421,155	3	421,155	3	346,855	3
3320	Special capital reserve		420,541	3	420,541	3	446,134	4
3350	Undistributed earnings		2,217,604	17	1,863,461	15	1,426,457	12
	<b>Other equity</b>							
3400	Other equity		( 743,538)	( 6)	( 683,175)	( 5)	( 304,323)	( 3)
3500	<b>Treasury Stock</b>	6 (M)	( 2,465)	-	-	-	-	-
31XX	<b>Equity attributable to owners of the parent company</b>		<u>8,538,411</u>	<u>66</u>	<u>8,229,220</u>	<u>64</u>	<u>7,323,982</u>	<u>62</u>
36XX	<b>Non-controlling interests</b>		<u>43,850</u>	<u>-</u>	<u>44,490</u>	<u>-</u>	<u>38,217</u>	<u>-</u>
3XXX	<b>Total Equity</b>		<u>8,582,261</u>	<u>66</u>	<u>8,273,710</u>	<u>64</u>	<u>7,362,199</u>	<u>62</u>
	<b>Significant contingent liabilities and unrecognized contractual commitments</b>	9						
	<b>Significant events after the reporting period</b>	11						
3X2X	<b>Total liabilities and equity</b>		<u>\$ 13,021,287</u>	<u>100</u>	<u>\$ 12,989,167</u>	<u>100</u>	<u>\$ 11,803,051</u>	<u>100</u>

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards  
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries  
Consolidated Statements of Comprehensive Income  
For the three months ended March 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars, except for Earnings Per Common Share)

Item	Note	January 1 to March 31, 2020		January 1 to March 31, 2019	
		Amount	%	Amount	%
4000					
<b>Operating revenue</b>	6 (P)	\$ 2,772,864	100	\$ 2,577,643	100
5000					
<b>Operating costs</b>	6 (D)	( 2,112,456)	( 76)	( 2,071,807)	( 80)
5950					
<b>Net gross profit from operations</b>		<u>660,408</u>	<u>24</u>	<u>505,836</u>	<u>20</u>
<b>Operating expenses</b>	6 (T)				
6100					
Selling expenses		( 65,919)	( 2)	( 44,187)	( 2)
6200					
Administrative expenses		( 197,546)	( 7)	( 168,907)	( 7)
6300					
Research and development expenses		( 40,565)	( 2)	( 30,373)	( 1)
6000					
<b>Total operating expenses</b>		<u>( 304,030)</u>	<u>( 11)</u>	<u>( 243,467)</u>	<u>( 10)</u>
6900					
<b>Operating income</b>		<u>356,378</u>	<u>13</u>	<u>262,369</u>	<u>10</u>
<b>Non-operating income and expenses</b>					
7010					
Other income	6 (Q)	18,775	1	32,469	1
7020					
Other gains and losses	6 (R)	36,744	1	( 43,039)	( 2)
7050					
Finance costs	6 (S)	( 7,243)	-	( 8,184)	-
7000					
<b>Total non-operating income and expenses</b>		<u>48,276</u>	<u>2</u>	<u>( 18,754)</u>	<u>( 1)</u>
7900					
<b>Profit before tax</b>		<u>404,654</u>	<u>15</u>	<u>243,615</u>	<u>9</u>
7950					
Income tax expenses	6 (U)	( 51,034)	( 2)	( 38,848)	( 1)
8200					
<b>Profit for the year</b>		<u>\$ 353,620</u>	<u>13</u>	<u>\$ 204,767</u>	<u>8</u>
<b>Other comprehensive income (net)</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
8361					
Exchange differences on translation of foreign financial statements		(\$ 60,480)	( 2)	\$ 116,698	4
8300					
<b>Other comprehensive income (net)</b>		<u>(\$ 60,480)</u>	<u>( 2)</u>	<u>\$ 116,698</u>	<u>4</u>
8500					
<b>Total comprehensive income(loss)</b>		<u>\$ 293,140</u>	<u>11</u>	<u>\$ 321,465</u>	<u>12</u>
<b>Net income(loss) attributable to:</b>					
8610					
Shareholders of the parent company		<u>\$ 354,143</u>	<u>13</u>	<u>\$ 205,306</u>	<u>8</u>
8620					
Non-controlling interests		<u>(\$ 523)</u>	<u>-</u>	<u>(\$ 539)</u>	<u>-</u>
<b>Total comprehensive income(loss) attributable to:</b>					
8710					
Shareholders of the parent company		<u>\$ 293,780</u>	<u>11</u>	<u>\$ 321,524</u>	<u>12</u>
8720					
Non-controlling interests		<u>(\$ 640)</u>	<u>-</u>	<u>(\$ 59)</u>	<u>-</u>
<b>Earnings per share</b>	6 (V)				
9750					
<b>Basic earnings per share</b>		<u>\$</u>	<u>2.02</u>	<u>\$</u>	<u>1.34</u>
<b>Diluted earnings per share</b>					
9850					
<b>Diluted earnings per share</b>		<u>\$</u>	<u>2.01</u>	<u>\$</u>	<u>1.19</u>

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

Reviewed only, not audited in accordance with the generally accepted auditing standards

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

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2020 and 2019

(Expressed in Thousands of New Taiwan Dollars)

	Note	Attributable to owners of the parent company										
		Share capital			Retained earnings				Exchange differences on translation of foreign financial statements	Treasury stock	Total	Non-controlling interests
Capital of common stock	Capital collected in advance	Capital surplus	Legal capital reserve	Special capital reserve	Undistributed earnings							
Balance at January 1, 2019		\$ 1,462,735	\$ 65,886	\$ 3,377,120	\$ 346,855	\$ 446,134	\$ 1,221,151	(\$ 420,541 )	\$ -	\$ 6,499,340	\$ 38,276	\$ 6,537,616
Profit for the year		-	-	-	-	-	205,306	-	-	205,306	( 539 )	204,767
Other comprehensive income		-	-	-	-	-	-	116,218	-	116,218	480	116,698
Total comprehensive income(loss)		-	-	-	-	-	205,306	116,218	-	321,524	( 59 )	321,465
Capital increase by cash		60,000	( 65,886 )	168,427	-	-	-	-	-	162,541	-	162,541
Common stock converted from convertible corporate bonds	6(J)(W)	67,180	-	273,397	-	-	-	-	-	340,577	-	340,577
Balance at March 31, 2019		\$ 1,589,915	\$ -	\$ 3,818,944	\$ 346,855	\$ 446,134	\$ 1,426,457	(\$ 304,323 )	\$ -	\$ 7,323,982	\$ 38,217	\$ 7,362,199
Balance at January 1, 2020		\$ 1,747,566	\$ -	\$ 4,459,672	\$ 421,155	\$ 420,541	\$ 1,863,461	(\$ 683,175 )	\$ -	\$ 8,229,220	\$ 44,490	\$ 8,273,710
Profit for the year		-	-	-	-	-	354,143	-	-	354,143	( 523 )	353,620
Other comprehensive income		-	-	-	-	-	-	( 60,363 )	-	( 60,363 )	( 117 )	( 60,480 )
Total comprehensive income(loss)		-	-	-	-	-	354,143	( 60,363 )	-	293,780	( 640 )	293,140
Common stock converted from convertible corporate bonds	6(J)(W)	3,547	-	14,329	-	-	-	-	-	17,876	-	17,876
Treasury stocks buyback	6(M)	-	-	-	-	-	-	-	( 2,465 )	( 2,465 )	-	( 2,465 )
Balance at March 31, 2020		\$ 1,751,113	\$ -	\$ 4,474,001	\$ 421,155	\$ 420,541	\$ 2,217,604	(\$ 743,538 )	(\$ 2,465 )	\$ 8,538,411	\$ 43,850	\$ 8,582,261

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards  
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows (CONT'D)  
For the three months ended March 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Note	January 1 to March 31, 2020	January 1 to March 31, 2019
<u>Cash flows from operating activities</u>			
Profit before tax		\$ 404,654	\$ 243,615
Adjustments			
Adjustments to reconcile profit and loss			
Net (gain) loss on financial assets and liabilities measured at fair value through profit and loss	6(B)(R)	1,347	( 5,855 )
Depreciation expense	6(E)(F)(T)	162,986	148,681
Amortization expense	6(T)	13,176	8,612
Expected credit loss (reversal) provision	12(B)	( 246 )	854
Loss on disposal or retirement of property, plant and equipment	6(R)	830	404
Interest income	6(Q)	( 2,721 )	( 2,542 )
Interest expenses	6(S)	7,243	8,184
Changes in operating assets and liabilities			
Net changes in operating assets			
Accounts receivable		517,088	403,036
Other receivables		( 43,323 )	17,329
Inventories		( 302,313 )	( 361,300 )
Prepayments		( 13,950 )	( 7,138 )
Other current assets		2,310	( 11,766 )
Net changes in operating liabilities			
Contract liability		( 7,395 )	( 15,068 )
Accounts payable		( 57,413 )	140,742
Other payables		( 67,975 )	( 141,795 )
Other current liabilities		4,851	( 2,073 )
Other non-current liabilities		( 755 )	( 813 )
Cash inflows generated from operating activities		618,394	423,107
Interest received		2,632	2,664
Interest paid		( 5,830 )	( 4,762 )
Income tax paid		( 61,212 )	( 36,319 )
Net cash generated from operating activities		<u>553,984</u>	<u>384,690</u>

(Continued)

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Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries  
Consolidated Statements of Cash Flows (CONT'D)  
For the three months ended March 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars)

	Note	January 1 to March 31, 2020	January 1 to March 31, 2019
<u>Cash flows from investing activities</u>			
Decrease in other financial assets		\$ 852	\$ -
Acquisition of property, plant and equipment	6(W)	( 376,362 )	( 411,444 )
Disposal of property, plant and equipment		887	3,828
Acquiring right- of- use assets	6(F)	-	( 23,837 )
Acquiring intangible assets		( 541 )	( 317 )
Increase in other non-current assets		( 20,098 )	( 13,652 )
Increase in refundable deposits		( 197 )	-
Net cash used in investing activities		( 395,459 )	( 445,422 )
<u>Cash flows from financing activities</u>			
Increase in short-term notes payable		79,979	79,951
Decrease in short-term loans		( 180,460 )	( 102,700 )
Repayment of long-term loans		-	( 10,034 )
Lease principal repayment	6(F)	( 13,680 )	( 10,050 )
Capital increase by cash	6(M)	-	165,114
Net cash (used in) flows from financing activities		( 114,161 )	122,281
Effect of exchange rate changes		( 62,865 )	60,272
Net decrease (increase) in cash and cash equivalents		( 18,501 )	121,821
Cash and cash equivalents at beginning of period		1,373,474	1,313,073
Cash and cash equivalents at end of period		\$ 1,354,973	\$ 1,434,894

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(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards  
Fulgent Sun International (Holding) Co., Ltd. and Subsidiaries  
Notes to the Consolidated Financial Statements  
March 31, 2020 and 2019  
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

1. Company History

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

2. Approval Date and Procedures of the Consolidated Financial Statements

The consolidated financial statements were approved by the Board of Directors and published on April 30, 2020.

3. New Standards, Amendments and Interpretations Adopted

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

The following table lists the criteria and interpretations for the new issuance, revision and amendment of the IFRS as accredited by FSC in 2020:

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

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

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

None.

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

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

<u>New/Revised/Amended Standards and Interpretations</u>	<u>Effective date set by IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures"	Investment still held by the IASB decision
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Liabilities are classified as current or non-current"	January 1, 2022

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

#### 4. Summary of Significant Accounting Policies

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

##### A. Statement of Compliance

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

##### B. Basis of Preparation

- (1) Except for the following important items, this consolidated financial report is prepared based on historical cost:  
Fair value measurement through profit or loss, and financial assets and liabilities measured at fair value.
- (2) The preparation of financial reports conforming to the International Financial Reporting Standards, International Accounting Standards (IAS), IFRICs Interpretations and SICs Interpretations (hereinafter referred to “IFRSs”) recognized by the Financial Supervisory Commission (FSC), requires the use of some important accounting estimates. In the application of the Group's accounting policies, it is also necessary for the management to use their judgments, and involvement of items which requires profound judgment or complexity, or major assumptions and estimates with regards to consolidated financial statements. Please to note 5 for details.

##### C. Basis of Consolidation

- (1) Principles of preparation of consolidated financial statements  
The principles for preparing the consolidated financial statements are the same as those for the 2019 consolidated financial statements.
- (2) List of subsidiaries included in the consolidated financial statements:

Name of Investor	Name of Subsidiary	Nature of business	Percentage of ownership		
			March 31, 2020	December 31, 2019	March 31, 2019
The Company	Capital Concord Enterprises Limited (Capital Concord Enterprises Limited H.K.)	Investment Holding and Sports Leisure Outdoor Footwear Production and Sales	100	100	100
Capital Concord Enterprises Limited H.K.	Fujian Laya Outdoor Products Co., Ltd. (Fujian Laya Co., Ltd.)	Distribution Agent and Import and Export Trade	100	100	100
Capital Concord Enterprises Limited H.K.	Laya Max Trading Co., Ltd. (Taiwan Laya)	Distribution Agent and Import and Export Trade	100	100	100
Capital Concord Enterprises Limited H.K.	Hong Kong Laya Outdoor Products (Hong Kong Laya)	Holding company	100	100	100

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

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

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

(5) Major Restrictors: None.

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

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

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

6. Explanation of Significant Accounts

A. Cash and cash equivalents

	March 31, 2020	December 31, 2019	March 31, 2019
Cash on hand and revolving funds	\$ 6,911	\$ 6,644	\$ 2,646
Checking deposits & demand deposits	1,016,594	1,055,034	1,042,489
Time deposits	331,468	311,796	389,759
Total	\$ 1,354,973	\$ 1,373,474	\$ 1,434,894

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

(2) The Group presents time deposits with an original maturity of more than 3 months and not meeting short-term cash commitments under "Other Current Assets". Amounts of March 31, 2020, December 31, 2019 and March 31, 2019 are \$42,550, \$43,050 and \$0, respectively.

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

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

Item	March 31, 2020	December 31, 2019	March 31, 2019
Non-current items:			
Financial assets mandatorily measured at fair value through profit or loss			
- Listed company stock	\$ 3,108	\$ 4,626	\$ 2,318
- Convertible corporate bond redemption and sale rights	191	28	-
Total	\$ 3,299	\$ 4,654	\$ 2,318
Financial liabilities mandatorily measured at fair value through profit or loss			
- Convertible corporate bond redemption and sale rights	\$ -	\$ -	(\$ 88)

- (1) The convertible corporate bonds the Group held the right to redeem and sell from January 1 to March 31, 2020 and 2019, with recognized gains and (losses) were \$171 and \$5,391, respectively.
- (2) The shares of listed OTC companies the Group held from January 1 to March 31, 2020 and 2019, with recognized gains and (losses) were \$(1,518) and \$464, respectively.
- (3) The Group has not pledged financial assets to be measured at fair value through gains and losses

C. Notes and Accounts Receivable, Net

	March 31, 2020	December 31, 2019	March 31, 2019
Accounts receivable	\$ 1,834,838	\$ 2,338,138	\$ 1,753,895
Less: Allowance for impairment	( 8,432)	( 8,715)	( 4,511)
	\$ 1,826,406	\$ 2,329,423	\$ 1,749,384

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

	March 31, 2020	December 31, 2019	March 31, 2019
Current	\$ 1,617,886	\$ 2,265,039	\$ 1,544,262
Overdue 0 to 90 days	188,593	63,904	192,185
Overdue 91 to 180 days	20,313	553	15,495
Overdue 181 to 365 days	1,505	1,805	88
Over 365 days past due	6,541	6,837	1,865
	\$ 1,834,838	\$ 2,338,138	\$ 1,753,895

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

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

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

D. Inventories

March 31, 2020			
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 62,223	(\$ 13,009)	\$ 49,214
Raw material	682,882	( 46,863)	636,019
Work in process	516,239	( 12,318)	503,921
Finished goods	778,164	( 20,337)	757,827
Inventory in-transit	500,728	-	500,728
<b>Total</b>	<b>\$ 2,540,236</b>	<b>(\$ 92,527)</b>	<b>\$ 2,447,709</b>

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
<b>Total</b>	<b>\$ 2,227,112</b>	<b>(\$ 84,671)</b>	<b>\$ 2,142,441</b>

March 31, 2019			
	Cost	Allowance for inventory market decline and obsolescence	Carrying amounts
Merchandise inventory	\$ 84,979	(\$ 14,383)	\$ 70,596
Raw material	586,363	( 35,395)	550,968
Work in process	428,093	( 13,946)	414,147
Finished goods	877,203	( 33,382)	843,821
Inventory in-transit	364,422	-	364,422
<b>Total</b>	<b>\$ 2,341,060</b>	<b>(\$ 97,106)</b>	<b>\$ 2,243,954</b>

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

Item	January 1 to March 31, 2020	January 1 to March 31, 2019
Inventory cost sold	\$ 2,110,382	\$ 2,059,496
Inventory valuation losses	7,856	12,354
Inventory scrap loss	-	93
Stock (gain) loss	( 2,300)	1,649
Recognized as expenses	( 550)	( 488)
Effect of exchange rate changes	( 2,932)	( 1,297)
	<b>\$ 2,112,456</b>	<b>\$ 2,071,807</b>

E. Property, Plant and Equipment

January 1 to March 31, 2020

Cost	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Land	\$ 294,826	\$ -	\$ -	\$ 3,122	\$ 2,409	\$ 300,357
Buildings	3,536,434	53,928	( 3,092)	167,162	( 13,169)	3,741,263
Machinery equipment	3,066,318	49,044	( 51,891)	72,844	( 16,765)	3,119,550
Transport equipment	98,181	2,408	-	( 26,084)	( 606)	73,899
Office equipment	41,732	1,125	( 3,640)	243	( 231)	39,229
Others	1,315,524	48,129	( 39,599)	40,381	400	1,364,835
Construction in progress and to-be-inspected equipment	630,715	77,161	-	( 225,186)	( 2,063)	480,627
	<u>\$ 8,983,730</u>	<u>\$ 231,795</u>	<u>(\$ 98,222)</u>	<u>\$ 32,482</u>	<u>(\$ 30,025)</u>	<u>\$ 9,119,760</u>
Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Buildings	(\$ 1,002,398)	(\$ 39,833)	\$ 3,092	\$ -	\$ 8,486	(\$ 1,030,653)
Machinery equipment	( 1,328,739)	( 59,575)	50,406	-	11,481	( 1,326,427)
Transport equipment	( 59,332)	( 1,902)	-	( 10,655)	377	( 71,512)
Office equipment	( 35,106)	( 613)	3,621	-	231	( 31,867)
Others	( 830,799)	( 49,965)	39,386	10,655	744	( 829,979)
	<u>(\$ 3,256,374)</u>	<u>(\$ 151,888)</u>	<u>\$ 96,505</u>	<u>\$ -</u>	<u>\$ 21,319</u>	<u>(\$ 3,290,438)</u>
	<u>\$ 5,727,356</u>					<u>\$ 5,829,322</u>

January 1 to March 31, 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	\$ -	\$ -	\$ -	\$ 1,032	\$ 303,086
Buildings	3,214,325	15,853	( 228)	57,309	45,374	3,332,633
Machinery equipment	2,483,953	43,331	( 16,389)	40,937	37,472	2,589,304
Transport equipment	92,163	-	( 525)	-	980	92,618
Office equipment	40,590	528	( 246)	139	686	41,697
Others	1,188,306	16,710	( 9,321)	29,331	13,795	1,238,821
Construction in progress and to-be-inspected equipment	521,341	265,227	-	( 94,547)	2,453	694,474
	<u>\$ 7,842,732</u>	<u>\$ 341,649</u>	<u>(\$ 26,709)</u>	<u>\$ 33,169</u>	<u>\$ 101,792</u>	<u>\$ 8,292,633</u>

Accumulated depreciation	Opening Balance	Increase in the period	Decrease in the period	Transfer in the period	Effect of exchange rate changes	Ending Balance
Buildings	(\$ 887,467)	(\$ 36,617)	\$ 204	\$ -	(\$ 17,064)	(\$ 940,944)
Machinery equipment	( 1,232,709)	( 52,945)	12,187	-	( 23,710)	( 1,297,177)
Transport equipment	( 55,023)	( 2,120)	525	-	( 645)	( 57,263)
Office equipment	( 34,599)	( 544)	246	-	( 649)	( 35,546)
Others	( 702,665)	( 44,973)	9,315	-	( 10,207)	( 748,530)
	<u>(\$ 2,912,463)</u>	<u>(\$ 137,199)</u>	<u>\$ 22,477</u>	<u>\$ -</u>	<u>(\$ 52,275)</u>	<u>(\$ 3,079,460)</u>
	<u>\$ 4,930,269</u>					<u>\$ 5,213,173</u>

On March 31, 2020, December 31, 2019 and March 31, 2019 the Group provides guarantees information with property, plant and equipment, please refer to Note 8.

F. Lease Arrangements

- (1) The Group's leased assets include land, houses and buildings, and official vehicles. The lease contract usually lasts from 1 to 50 years. The lease contract is negotiated individually and contains various terms and conditions. There are no restrictions except that the leased assets may not be used as loan guarantees.
- (2) The book value of the right-of-use assets and the depreciation charges recognized are as follows:

	<u>March 31, 2020</u> <u>Carrying amount</u>	<u>December 31, 2019</u> <u>Carrying amount</u>	<u>March 31, 2019</u> <u>Carrying amount</u>
Land	\$ 528,056	\$ 576,970	\$ 627,719
Buildings	199,406	198,912	25,535
Transportation Equipment (company car)	-	27	151
	<u>\$ 727,462</u>	<u>\$ 775,909</u>	<u>\$ 653,405</u>

	<u>January 1 to March 31, 2020</u> <u>Depreciation</u>	<u>January 1 to March 31, 2019</u> <u>Depreciation</u>
Land	\$ 7,431	\$ 10,366
Buildings	3,626	1,075
Transportation Equipment (company car)	41	41
	<u>\$ 11,098</u>	<u>\$ 11,482</u>

- (3) The Group's right-of-use assets from January 1 to March 31, 2020 and 2019 increased to \$5,865 and \$0, respectively.
- (4) The profit and loss item related to the lease contract is as follows:

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
<u>Items affecting current profit and loss</u>		
Interest expense on lease liability	\$ 878	\$ 52
Cost that are short-term lease contract	243	580

- (5) The Group's lease cash outflow from January 1 to March 31, 2020 and 2019 totaled \$13,923 and \$34,467, respectively.

G. Other Current Assets and Other Non-Current Assets

<u>Item</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Current:			
Restricted bank deposit	\$ 19,943	\$ 19,805	\$ -
Time deposits	42,550	43,050	-
Others	32,861	35,145	30,757
Total	<u>\$ 95,354</u>	<u>\$ 98,000</u>	<u>\$ 30,757</u>

<u>Item</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Non-current:			
Prepaid for land and equipment	\$ 188,738	\$ 57,686	\$ 95,100
Refundable deposits	5,012	4,821	5,368
Others	85,168	77,962	38,805
Total	<u>\$ 278,918</u>	<u>\$ 140,469</u>	<u>\$ 139,273</u>

Note: On March 31, 2020, December 31, 2019 and March 31, 2019 the group provides the guarantee for the other non-current assets, please refer to Note 8.

H. Short-Term Loans

Loan Type	March 31, 2020	Interest rate range	Collateral
Credit loans	<u>\$ 1,501,637</u>	0.55%~2.10%	Note
Loan Type	December 31, 2019	Interest rate range	Collateral
Credit loans	<u>\$ 1,669,050</u>	0.73%~2.26%	Note
Loan Type	March 31, 2019	Interest rate range	Collateral
Credit loans	<u>\$ 979,840</u>	0.69%~3.00%	Note

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

I. Other Payables

	March 31, 2020	December 31, 2019	March 31, 2019
Accrued salaries	\$ 369,965	\$ 493,937	\$ 314,074
Payables on equipment	289,855	270,888	273,762
Others	168,987	115,733	191,285
Total	<u>\$ 828,807</u>	<u>\$ 880,558</u>	<u>\$ 779,121</u>

J. Corporate Bonds Payable

	March 31, 2020	December 31, 2019	March 31, 2019
Domestic third unsecured convertible corporate bonds	\$ -	\$ -	\$ 14,700
Domestic fourth unsecured convertible corporate bonds	52,900	71,100	878,700
Less: discount on corporate bonds payable	( 844)	( 1,320)	( 23,235)
Subtotal	<u>52,056</u>	<u>69,780</u>	<u>870,165</u>
Less: expiration within one year	-	-	( 14,680)
Total	<u>\$ 52,056</u>	<u>\$ 69,780</u>	<u>\$ 855,485</u>

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

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

- i. With the approval of the competent authority, the Company raised and issued the 3rd unsecured convertible corporate bonds in Taiwan, totaling NT\$700,000, 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 May 3, 2016 to May 3, 2019. When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. The convertible corporate bond was listed at Taipei Exchange on May 3, 2016.
- ii. The convertible corporate bond holder may at any time request the Company for conversion to its common stock from the next 3 months after the issuance of the bond to the expiration date, except for the period of

suspension of the transfer according to the regulations or decrees. The rights and obligations of the convertible corporate bond holder are the same as those of the original common stock.

- iii. The conversion price of the convertible corporate bond is set at NT\$58.5 per share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method.
  - iv. Within forty days before the convertible corporate bond is issued two full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.
  - v. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the 30 consecutive business days of the closing price of the common stock of the Company will exceed 30% of the conversion price at that time; the Company will notify the creditors within 30 business days thereafter and withdraw the outstanding bonds in cash on the basis of the day of recovery based on the bond value. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the balance of the convertible corporate bond is less than 10% of the total issued amount, the Company will have to withdraw all its bonds in cash at any time thereafter based on the denomination of the bonds.
  - vi. As per the conversion method, all of the Company's recovery (including purchased from the Securities Merchants Business Offices), repayment, or converted the convertible corporate bond will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.
- (b) The convertible corporate bond denomination \$684,700 has been converted to 12,852 thousand shares of common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the ratio of cash dividends per share to the current price of the common stock exceeds 1.5%, the company shall adjust the conversion price of this bond to NT\$49.8 per share in accordance with the provisions of the terms of issue.
  - (c) The third unsecured convertible corporate bonds in the Republic of China issued by the company expired on May 3, 2019, and the remaining 53 corporate bonds were repaid on May 10, 2019 at \$5,300.
  - (d) When issuing the convertible corporate bond, the Company will, in accordance with the international accounting standards No.32, separate the conversion rights of the rights and interests from the constituent elements of the liabilities, and account for the "capital accumulation rights and equity options". The other is the right to buy back and sell back, according to the International Financial Reporting Standard No. 9, because of the economic characteristics of the goods that are in debt with the principal contract, the relationship between economy characteristics and risk is not closely related, so it is separated and list as net account of "Financial asset or financial liability at fair value through profit or loss". The effective interest rate of the principal contract obligation after separation is 1.330%.

- (e) On April 30, 2018, some holders of corporate bonds executed the right to sell back, the Company bought back the bonds at \$10,100 based on the face value of the bonds 101.0025% and recovered the loss of \$243.
- (2) The fourth unsecured convertible corporate bonds in the Republic of China, issued by the Board of Directors of the Company on August 6, 2018, are as follows:
  - (a) The conditions for issuing the fourth unsecured convertible corporate bonds of the Company are as follows:
    - i. With the approval of the competent authority, the Company raised and issued the 4th unsecured convertible corporate bonds in Taiwan, totaling NT\$1,000,000, with a par value of NT\$100,000 and a coupon interest rate of 0%. The convertible corporate bond was issued for 3 years and circulated from October 2, 2018 to October 2, 2021. When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. When the convertible corporate bond matured, it was repaid in cash at the face value of the bond. The convertible corporate bond was listed at Taipei Exchange on October 2, 2018.
    - ii. The convertible corporate bond holder may at any time request the Company for conversion to its common stock from the next 3 months after the issuance of the bond to the expiration date, except for the period of suspension of the transfer according to the regulations or decrees. The rights and obligations of the convertible corporate bond holder are the same as those of the original common stock.
    - iii. The conversion price of the convertible corporate bond is set at NT\$54.5 per share at the time of issue, and the conversion price of the convertible corporate bond is determined according to the prescribed model stipulated in the conversion method, and the conversion price will be in case of the Company's anti-dilution clause. It will be adjusted according to the model set out in the conversion method.
    - iv. Within forty days before the convertible corporate bond is issued two full years, the bondholder may require the Company to redeem the convertible corporate bond in cash at 101.0025% of the face value of the bond.
    - v. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the 30 consecutive business days of the closing price of the common stock of the Company will exceed 30% of the conversion price at that time; the Company will notify the creditors within 30 business days thereafter and withdraw the outstanding bonds in cash on the basis of the day of recovery based on the bond value. When the convertible corporate bond is issued 3 months from the next day to the first 40 days after the expiration of the issuance period, the balance of the convertible corporate bond is less than 10% of the total issued amount, the Company will have to withdraw all its bonds in cash at any time thereafter based on the denomination of the bonds.
    - vi. As per the conversion method, all of the Company's recovery (including purchased from the Securities Merchants Business Offices), repayment, or converted the convertible corporate bond will be revoked, no longer be sold or issued, the attached conversion rights will be revoked accordingly.

- (b) As of March 31, 2020, the convertible corporate bond denomination \$947,100 has been converted to 18,173 thousand shares of common stock. After the issuance of the convertible corporate bond, when the common stock issued by the Company has increased or the ratio of cash dividends per share to the current price of the common stock exceeds 1.5%, the company shall adjust the conversion price of this bond to NT\$51.3 per share in accordance with the provisions of the terms of issue.
- (c) When issuing the convertible corporate bond, the Company will, in accordance with the international accounting standards No.32, separate the conversion rights of equity from the constituent elements of the liabilities, and account for the "capital surplus- stock warrants ". The balance as of March 31, 2020 is \$1,570. The other is the right to buy back and sell back, according to the International Financial Reporting Standard No. 9, because of the economic characteristics of the goods that are in debt with the principal contract, the relationship between economy characteristics and risk is not closely related, so it is separated and list as net account of "Financial asset or financial liability at fair value through profit or loss". The effective interest rate of the principal contract obligation after separation is 1.066%.

K. Other Current Liabilities and Other Non-Current Liabilities

Item	March 31, 2020	December 31, 2019	March 31, 2019
Current:			
Corporate bonds payable	\$ -	\$ -	\$ 14,680
Other current liabilities - Other	17,254	12,446	11,774
Total	<u>\$ 17,254</u>	<u>\$ 12,446</u>	<u>\$ 26,454</u>

Item	March 31, 2020	December 31, 2019	March 31, 2019
Current:			
Deferred government grant income	\$ 119,844	\$ 122,016	\$ 132,248
Other non-current liabilities - Other	89,277	90,326	96,346
Total	<u>\$ 209,121</u>	<u>\$ 212,342</u>	<u>\$ 228,594</u>

L. Pension

- (1) Since July 1, 2005, the Group's subsidiary Capital Concord Enterprises (H.K.) Taiwan Branch and Laya Max Trading have set up a defined retirement scheme according to the "Labor Pension Act", which is applicable to employees of this nationality. The Group has paid the labor pension to 6% of the monthly salary of the labor pension system applicable to the employee's choice of the "Labor Pension Act", the personal accounts of the labor insurance bureau and the payment of employees' pensions are collected on the basis of the pensions of employees' personal pensions and the amount of accumulated income or by a pensions. From January 1 to March 31, 2020 and 2019, the above-mentioned pension measures of the Group recognized under pension were \$1,678 and \$1,318, respectively.
- (2) The Group's subsidiary in China in accordance with the regulations of the People's Republic of China government pension system (on May 1, 2019, the rate of pension insurance in all provinces and cities in China was reduced to 16%), based on a monthly 16% to 20% of the total local staff salaries set aside pension (Sunny Footwear and Fujian Sunshine Footwear are 16% to 18%; Hubei Sunsmile Footwear are 16% to 19%; Fujian Laya Outdoor Products and Fujian La Sportiva are 16% to 20%). Each employee's monthly pension is arranged by the government, and the Group has a monthly contribution, but no further obligation. From January

1 to March 31, 2020 and 2019 of the Group's second-tier subsidiary in China in accordance with the above-mentioned pension measures recognized under pension were \$7,849 and \$18,285, respectively.

- (3) The Group's subsidiary Fulgent Sun Footwear (Vietnam) and NGOC HUNG Footwear (Vietnam) are subject to the relevant local regulations, according to the local government regulations; the pension fund for employees' retirement pension is payable on a monthly basis at a certain percentage of the total wage and paid to the relevant competent authorities. The Group has no further obligation except monthly payment. From January 1 to March 31, 2020 and 2019, the above-mentioned pension measures of the Group recognized under pension were \$28,425 and \$22,264, respectively.

M. Share Capital

- (1) On August 6, 2018, the Company adopted a cash capital increase plan by the Board of Directors, which issued 6,000 thousands common stock with cash capital increase and declared to the FSC on September 7, 2018; the issue price was \$38.5 per share, the base date of capital increase was January 11, 2019, and the amount raised was \$231,000. The shares were respectively charged \$65,886 and \$165,114 in December 2018 and January 2019.
- (2) On March 31, 2020, the Company's rated capital was \$2,000,000, divided into 200 million shares, the paid in capital was \$1,751,113, the denomination of \$10 per share.

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

	Unit: Thousand Shares	
	2020	2019
January 1	174,757	146,274
Capital increase by cash	-	6,000
Convertible corporate bonds execution conversion	354	6,718
March 31	175,111	158,992

(3) Treasury Stock

- (a) Reason and quantity of share recovery

Name of the company holding the shares	Reason of recovery	March 31, 2020	
		Share (Thousand shares )	Carrying amount
The Company	For the transfer of shares to employees	29	\$ 2,465

- (b) Securities Exchange Act stipulates that the proportion of the Company to buy back the issued shares shall not exceed 10% of the total number of shares issued by the Company, the total amount of the purchased shares, and shall not exceed the retained earnings plus the premium for the issuance of shares and the amount of the realized capital surplus.
- (c) The Treasury Stock held by the Company shall not be pledged under the Securities Exchange Act and shall not be entitled to the rights of shareholders until they have been transferred.

- (d) According to the Securities Exchange Act, the shares purchased from the employees for the transfer of shares shall be transferred within 5 years from the date of purchase, and those who are overdue are deemed not to have issued shares of the Company and shall be subject to the change registration and cancel. To maintain the Company's credit and shareholder's rights, the shares purchased shall be subject to change registration and cancel within 6 months from the date of purchase.

N. Capital Surplus

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

	2020			
	Issue Premium	Share Warrants	Others	Total
January 1	\$ 4,457,016	\$ 2,110	\$ 546	\$ 4,459,672
Convertible corporate bonds to convert common stocks	14,869	( 540)	-	14,329
March 31	<u>\$ 4,471,885</u>	<u>\$ 1,570</u>	<u>\$ 546</u>	<u>\$ 4,474,001</u>

  

	2019			
	Issue Premium	Share Warrants	Others	Total
January 1	\$ 3,330,877	\$ 45,886	\$ 357	\$ 3,377,120
Capital increase by cash	176,158	( 7,731)	-	168,427
Convertible corporate bonds to convert common stocks	284,953	( 11,556)	-	273,397
March 31	<u>\$ 3,791,988</u>	<u>\$ 26,599</u>	<u>\$ 357</u>	<u>\$ 3,818,944</u>

O. Retained Earnings

- (1) In accordance with the provisions of the Articles of Incorporation, the Company may, in accordance with the resolution of the Board of Directors, and by resolution of the shareholders' meeting to pass the earnings distribution case, the Company shall (1) first make up the loss over the years, set aside a legal capital reserve at 10% of the remaining earnings until the accumulated legal capital reserve equals the company's paid-in capital; (2) to set aside a special capital reserve in accordance with the rules of the public offering company or at the request of the competent authority; (3) to make an employee dividend not exceeding 3% of the remaining earnings as a director and 3% of the remaining profits as employees of the Company and its subsidiaries.
- (2) When the Company's earnings is allocated, the dividend assigned to the shareholder shall not be less than the balance of the remaining earnings deduction of 20% of the preceding (1) (2), wherein the cash dividend issued shall not be less than 20% of the dividend.

- (3) In accordance with the provisions of the company's Articles of Incorporation, the Company shall not issue dividends or assign dividends or other assignments in respect of the realized or unrealized benefits of the Company, the premium account for the issuance of shares or other payments permitted by the Cayman Company ACT, provided that the legal capital reserve is more than 25% of the paid-in capital, only the legal capital reserve shall be accumulated as the above allocation, and shall be limited to the portion exceeds 25% of the paid-in capital.
- (4) (a) When the Company assigns an earnings, it shall make a special capital reserve accumulated in respect of the debit balance of other equity items on the balance sheet date in accordance with the provisions of the laws, and when the debit balance of subsequent other equity items reversals, the reversal amount may be included in the earnings available for allocation.
- (b) When IFRSs was first used, the special capital reserve listed in letter No. 1010012865 issued by FSC on April 6, 2012 was reversed when the Company subsequently used, disposed of or reclassified the related assets.
- (5) On March 9, 2020, the Company passed the 2019 earnings distribution case by resolution of the Board of Directors and on June 12, 2019 by the shareholders' meeting resolution through the 2018 earnings distribution cases are as follows:

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

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

The above of the earnings distribution of dividends per share in 2018, due to the conversion of the convertible corporate bonds, the Board of Directors' meeting on June 12, 2019 resolved to authorize the Chairman to adjust the shareholder cash dividend of \$3.63 per share.

The proposal for the 2019 earnings distribution had not been resolved by the shareholders' meeting as of April 30, 2020. The shareholder's cash dividend of \$5.5 per share is proposed to be passed in the shareholders meeting. Before the base date of the dividend distribution, if the number of outstanding stock shares is affected by the conversion of convertible corporate bonds and other factors, resulting in a change in shareholder dividends with amendments needed, the shareholders meeting is suggested to authorize the board of directors, and then the board of directors shall authorize the chairman as authorized to act according to the resolutions of the board of directors.

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

(6) For the information on staff bonus and director's remuneration, please refer to Note 6(T).

P. Operating Revenue

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
Revenue from Contracts with Customers	\$ <u>2,772,864</u>	\$ <u>2,577,643</u>

(1) Breakdown of Customer Contract Income

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

(2) Contract liability

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	<u>January 1, 2019</u>
Contract liability				
- Advance sales receipts	\$ <u>21,324</u>	\$ <u>28,538</u>	\$ <u>12,703</u>	\$ <u>27,619</u>

Contract liability opening recognized income in current period

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
Contract liability opening balance		
recognized income in current period – Advance sales receipts	\$ <u>21,718</u>	\$ <u>27,619</u>

Q. Other Income

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
Interest income:		
Interest on bank deposits	\$ 2,721	\$ 2,542
Government subsidy income	1,408	10,069
Other income - Other	14,646	19,858
	\$ <u>18,775</u>	\$ <u>32,469</u>

R. Other Gains and Losses

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
Disposal of property, plant and equipment losses	(\$ 830)	(\$ 404)
Foreign exchange gain (loss)	47,949	( 44,813)
(Loss) Gain on financial assets and liabilities measured at fair value through profit and loss	( 1,347)	5,855
Other losses	( 9,028)	( 3,677)
	\$ <u>36,744</u>	(\$ <u>43,039</u> )

S. Finance Costs

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
Bank borrowing	\$ 6,203	\$ 4,931
Convertible corporate bonds	162	3,201
Lease liabilities	878	52
	\$ <u>7,243</u>	\$ <u>8,184</u>

T. Expenses Expressed by Nature

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
Employee benefits		
Salary	\$ 876,332	\$ 797,024
Labor and health insurance	25,393	28,576
Pension	37,952	41,867
Others	15,641	14,350
	<u>955,318</u>	<u>881,817</u>
Depreciation	162,986	148,681
Amortization	13,176	8,612
	<u>\$ 1,131,480</u>	<u>\$ 1,039,110</u>

- (1) According to Articles of Incorporation, the Company is required to allocate a surplus not exceeding 3% of the remaining surplus as the remuneration of the directors and 3% of the remaining profits as employee dividends for the employees of the Company and its subsidiaries.
- (2) The employee bonus estimates of the Company from January 1 to March 31, 2020 and 2019 were \$2,500; Directors remuneration estimates were \$2,500, and the preceding amounts account for operating expenses. The above-mentioned employee bonus and directors' remuneration are assessed on the basis of the ratio set out in the Articles of Incorporation, taking into account such factors as the net profit after the current period after consideration of the legal capital reserve accumulation.

The employees' bonus and directors' remuneration of 2019 approved by the Board of Directors are consistent with the financial statements of 2019.

Information on employee bonuses and directors' remuneration approved by the Board of Directors can be reached at MOPS.

U. Income Tax

- (1) Income tax expense

Components of income tax expense:

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
Current income tax:		
Income tax on current income	\$ 53,397	\$ 39,071
Underestimated (overestimated) income tax in prior periods	154	( 37)
Total current income tax	<u>53,551</u>	<u>39,034</u>
Deferred income tax:		
The primitive generation and turn of temporary differences	( 2,517)	( 186)
Total deferred income tax	<u>( 2,517)</u>	<u>( 186)</u>
Income tax expenses	<u>\$ 51,034</u>	<u>\$ 38,848</u>

- (2) Subsidiary-Capital Concord (H.K.) Taiwan Branch and Second-tier Subsidiary-Laya Max Trading Co., Ltd. for profit income tax settlement declaration, have been approved by the taxes reprioritizing authority to 2017 and 2018.

V. Earnings Per Share (NT\$)

	January 1 to March 31, 2020		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	\$ 354,143	175,005	\$ 2.02
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	354,143	175,005	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	162	1,138	
Employee bonus	-	158	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 354,305	176,301	\$ 2.01

	January 1 to March 31, 2019		
	After-tax amount	Weighted average number of shares in circulation (thousand shares)	Earnings per share (NT\$)
<u>Basic earnings per share</u>			
Profit attributable to equity holders of the Company	\$ 205,306	152,877	\$ 1.34
<u>Diluted earnings per share</u>			
Profit attributable to equity holders of the Company	205,306	152,877	
Effect of dilutive potential ordinary shares			
Convertible corporate bonds	3,201	21,652	
Employee bonus	-	195	
Profit attributable to ordinary shareholders assuming the effect of potential ordinary shares	\$ 208,507	174,724	\$ 1.19

W. Supplementary Information on Cash Flow

(1) Investing activities with partial cash payments:

	January 1 to March 31, 2020	January 1 to March 31, 2019
Additions to property, plant and equipment	\$ 264,277	\$ 374,818
Less: Prepayments for land and equipment at the beginning of the period	( 57,686)	( 52,090)
Add: Prepayments for land and equipment at the end of the period	188,738	95,100
Add: Payables for equipment at the beginning of the period	270,888	267,378
Less: Payables for equipment at the end of the period	( 289,855)	( 273,762)
Cash paid in the period	\$ 376,362	\$ 411,444

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

	January 1 to March 31, 2020	January 1 to March 31, 2019
Share capital converted from convertible corporate bonds	\$ 3,547	\$ 67,180

## X. Changes in Liabilities Arising from Financing Activities

	Short term loans and short-term notes	Lease liabilities	Convertible corporate bonds (note)	Total liabilities from financing activities
January 1, 2020	\$ 1,669,050	\$ 362,261	\$ 69,780	\$ 2,101,091
Changes in cash flows from financing	( 100,481)	( 13,680)	-	( 114,161)
Other non-cash flows	-	( 29,367)	( 17,724)	( 47,091)
Effects of exchange rate changes	13,047	( 3,162)	-	9,885
March 31, 2020	<u>\$ 1,581,616</u>	<u>\$ 316,052</u>	<u>\$ 52,056</u>	<u>\$ 1,949,724</u>

	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	( 32,783)	( 10,050)	-	( 42,833)
Other non-cash flows	-	52	( 337,355)	( 337,303)
Effects of exchange rate changes	5,310	3,648	-	8,958
March 31, 2019	<u>\$ 1,059,791</u>	<u>\$ 228,790</u>	<u>\$ 870,165</u>	<u>\$ 2,158,746</u>

Note : including portion due within one year

### 7. Related-Party Transactions

#### Key Management Compensation

	January 1 to March 31, 2020	January 1 to March 31, 2019
Short-term employee benefits	<u>\$ 13,280</u>	<u>\$ 15,941</u>

### 8. Pledged Assets

Assets	Carrying amounts			Guarantee use
	March 31, 2020	December 31, 2019	March 31, 2019	
Land	\$ 108,057	\$ 107,181	\$ 110,184	Short-term loans
Buildings	166,853	166,612	174,708	Short-term loans
Other financial assets (listed other current assets and other non-current assets)	20,342	20,208	1,878	Performance bond for power supply contract
Refundable deposits (listed other non-current assets)	5,012	4,821	5,368	Deposits for leased land and other
	<u>\$ 300,264</u>	<u>\$ 298,822</u>	<u>\$ 292,138</u>	

9. Significant Contingent Liabilities and Unrecognized Contractual Commitments  
Commitments

A. Capital expenditure contracted but not yet incurred:

	Contract Price		
	March 31, 2020	December 31, 2019	March 31, 2019
Property, plant and equipment	\$ 759,396	\$ 991,045	\$ 853,666

  

	Unpaid Price		
	March 31, 2020	December 31, 2019	March 31, 2019
Property, plant and equipment	\$ 375,150	\$ 451,630	\$ 395,613

B. Outstanding letter of credit amount:

	March 31, 2020	December 31, 2019	March 31, 2019
Outstanding letter of credit	\$ 16,406	\$ 16,548	\$ -

10. Significant Disaster Losses

None.

11. Significant Events After The Reporting Period

On April 30, 2020, the Board of Directors meeting of Company resolved to issue new shares by cash capital increase and issue the 5<sup>th</sup> domestic unsecured convertible corporate bonds. It is intended to issue 10,000 thousand ordinary shares by the cash capital increase, the tentative issue price is \$70 per share, and the estimated amount to be raised is \$700,000 thousand, the total issue maximum amount is \$500,000 thousand, with a face value of \$100 thousand each, with a coupon rate of 0%, the issue period is 3 years. It is planned to conduct public underwriting by competitive auction, and the base bid is not less than 100% of the face value.

12. Others

A. Capital Management

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

B. Financial Instruments

(1) Categories of financial instruments

<u>Financial Assets</u>	March 31, 2020	December 31, 2019	March 31, 2019
Financial assets at fair value through profit and loss			
Financial assets mandatorily measured at fair value through profit or loss	\$ 3,299	\$ 4,654	\$ 2,318
Financial assets/loans and receivables measured at amortized cost			
Cash and cash equivalents	\$ 1,354,973	\$ 1,373,474	\$ 1,434,894
Accounts receivable	1,826,406	2,329,423	1,749,384
Other receivables	264,161	222,416	175,978
Other financial assets- Current	62,493	62,855	-
Refundable deposits	5,012	4,821	5,368
Other financial assets- Non-current	399	403	-
	<u>\$ 3,513,444</u>	<u>\$ 3,993,392</u>	<u>\$ 3,365,624</u>

## Financial Liabilities

Financial liabilities at fair value through profit and loss

Financial liabilities mandatorily measured at fair value through profit or loss

Financial liabilities measured at amortized cost

Short-term loans	\$ 1,501,637	\$ 1,669,050	\$ 979,840
Short-term notes payable	79,979	-	79,951
Accounts payable	1,331,512	1,393,220	1,168,121
Other payables	828,807	880,558	779,121
Corporate bonds payable (including maturity within one year or one operating cycle)	52,056	69,780	870,165
	<u>\$ 3,793,991</u>	<u>\$ 4,012,608</u>	<u>\$ 3,877,198</u>
Lease liabilities ( current and non-current)	<u>\$ 316,052</u>	<u>\$ 362,261</u>	<u>\$ 228,790</u>

### (2) Risk Management Policy

- (a) The Group's financial risk management objectives are to manage exchange rate risk, price risk, interest rate risk, credit risk and liquidity risk related to its operating activities. In order to minimize the relevant financial risks, the Group is committed to identify, assess and avoid market uncertainties, so as to minimize the potential adverse effects on the financial performance of the Company.
- (b) The Group's important financial activities are reviewed by the Board of Directors and the Audit Committee according to relevant regulations and the internal control system. During the implementation of the financial plan, the Group must comply with the relevant financial operations procedures in relation to the overall financial risk management and segregation of duties.
- (c) For the information on derivative instruments to avoid financial risks, please refer to Note 6(B).

### (3) Nature and Degree of Significant Financial Risks

#### (a) Market Risk

##### Exchange Rate Risk

- i. The Group is a multinational operation and is exposed to exchange rate risk arising from transactions with different functional currencies by the Company and its subsidiaries, which is mainly the USD and RMB, and is the Vietnamese Dong. The relevant exchange rate risk arises from future commercial transactions and recognized assets and liabilities and net investments in foreign operations.
- ii. To avoid the decrease in foreign currency assets and future fluctuations in cash flows caused by exchange rate movements, the Group uses derivative financial instruments to hedge the exchange rate risk. This kind of derivative financial instruments can be used to assist the Group in reducing but not entirely eliminate the impact of foreign currency exchange rate movements, please refer to Note 6(B).
- iii. The Group's business involves the use of various non-functional currencies (the Company and some subsidiaries' functional currency is NTD, whereas some subsidiaries' functional currency is RMB, USD and VND); as a consequence, it is subject to exchange rates fluctuation. Assets and liabilities that are denominated in foreign currencies and significantly affected by exchange rates fluctuation and market risk are as follows:

March 31, 2020

(Foreign currency: functional currency)				Sensitivity Analysis		
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD: RMB	\$ 7,278	7.1304	\$ 219,988	5%	\$ 10,999	\$ -
RMB: USD	55,230	0.1408	235,005	5%	11,750	-
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD: RMB	\$ 426	7.1034	\$ 12,874	5%	\$ 644	\$ -
NTD: USD	867,632	0.0331	867,632	5%	43,382	-

December 31, 2019

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

March 31, 2019

<b>(Foreign currency: functional currency)</b>	Sensitivity Analysis					
	Foreign currency (in thousands)	Exchange rate	Carrying amount	Range of change	Impact on Profit and Loss	Impact on Other Comprehensive Income
<u>Financial Assets</u>						
<u>Monetary items</u>						
USD: RMB	\$ 13,311	6.7293	\$ 410,239	5%	\$ 20,512	\$ -
RMB: USD	6,027	0.1486	27,602	5%	1,380	-
<u>Financial Liabilities</u>						
<u>Monetary items</u>						
USD: RMB	\$ 2,600	6.7293	\$ 80,119	5%	\$ 4,006	\$ -
NTD: USD	837,631	0.0324	837,631	5%	41,882	-

- iv. The Group's monetary items have a significant influence on the recognized exchange gains and losses from January 1 to March 31, 2020 and 2019 due to exchange rate fluctuation (including realized and unrealized), the aggregate amount are gain and (loss) of \$47,949 and \$(44,813), respectively.

#### Price Risk

- i. The Group's equity instruments exposed to price risk are financial assets held at fair value through profit and loss. To manage the price risk of investment in equity instruments, the Group diversified its portfolio with its diversification method based on the limits set by the Group.
- ii. The Group's investments in equity instruments comprise domestic publicly quoted entity and the price of these equity instruments are affected by uncertainties in the future value of the investment target. If the price of these equity instruments had been 5% higher or lower, and all other variables were held constant, the Group's profit after tax from January 1 to March 31, 2020 and 2019 would increase or decrease by \$155 and \$116 from equity instruments mandatorily measured at fair value through profit or loss, respectively.

#### Cash Flow and Fair Value Interest Rate Risk

- i. The Group's interest rate risk arises primarily from the short-term and long-term borrowings issued at floating rates, which expose the Group to the cash flow interest rate risk. From January 1 to March 31, 2020 and 2019, the Group's borrowings issued at floating rate are mainly denominated in NTD and USD.
- ii. The Group's borrowings are measured at amortized cost and re-priced based on the contractual interest rates, which expose the Group to the risk of changes in future market interest rates.
- iii. If the loan interest rate has been increased or decreased by 0.1%, and all other variables were held constant, the profit after tax from January 1 to March 31, 2020 and 2019 will be decreased or increased by \$316 and \$211 respectively, due to the changes in interest costs caused by the floating-rate interest rate borrowings.

#### (b) Credit Risk

- i. The Group's credit risk is primarily attributable to the Group's financial loss from customers or financial instruments' counterparty is unable to fulfill contractual obligation. The main reason is that the counterparty is unable to settle the account receivable on payment terms.
- ii. The Group has established a management and credit risk analysis for each new customer, before making the payment and delivery of the Company's individual business within the stipulated payment and delivery of delivery policies according to the internal defined credit policy. The internal risk control evaluated by considering its financial situation, past experience and other factors assess the credit quality of customers. The limits of individual risks are formulated by the Board of Directors based on internal or external ratings, and the utilization of credit line is regularly monitored. The main credit risks come from cash and cash equivalents, derivative financial instruments, deposits at banks and financial institutions, as well as credit risks from customers, including uncollected accounts receivable. For banks and financial institutions, only institutions with good credit ratings will be accepted as trading partners.
- iii. The Group adopts the IFRS 9 to provide the following assumptions whether the credit risk of financial instruments has increased significantly since their initial recognition:

When the contract payments are overdue more than 30 days according to the agreed payment terms, the credit risk is increased significantly since the financial assets are initially recognized.

- iv. When the investment target for the independent credit rating has been lower for two grades, the Group has determined that the credit risk of the investment target is increased significantly.
- v. Based on the internally specified accounting policies of the Group, it is deemed as a breach of contract when the contractual payments are overdue for more than 365 days in accordance with stipulated payment terms.
- vi. The Group has classified customers' accounts receivable on the characteristics of customers' ratings and adopts simplified approach to estimate expected credit losses based on reserve matrix.
- vii. After recourse procedures, the Group writes off the recoverable financial assets that cannot be reasonably expected; nonetheless, the Group will keep legal recourse to secure its creditor's rights. The group has no creditors' rights that has been written off but still can be recourse for March 31, 2020, December 31, 2019 and March 31, 2019.
- viii. The Group adjusted the loss rate established on the history of certain period and current information for perspective consideration to estimate the loss allowance for account receivable. The reserve matrix for March 31, 2020, December 31, 2019 and March 31, 2019 was as follows:

March 31, 2020	Expected loss rate	Total carrying amount	Loss allowance
Current	0.00%	\$ 1,617,886	\$ -
Overdue 0 to 90 days	0.27%	188,593	518
Overdue 91 to 180 days	4.52%	20,313	919
Overdue 181 to 365 days	30.17%	1,505	454
Over 365 days past due	100.00%	6,541	6,541
Total		\$ 1,834,838	\$ 8,432

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

March 31, 2019	Expected loss rate	Total carrying amount	Loss allowance
Current	0.00%	\$ 1,544,262	\$ -
Overdue 0 to 90 days	0.51%	192,185	982
Overdue 91 to 180 days	10.35%	15,495	1,604
Overdue 181 to 365 days	68.18%	88	60
Over 365 days past due	100.00%	1,865	1,865
Total		\$ 1,753,895	\$ 4,511

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

	2020	
	Accounts receivable	
January 1	\$	8,715
Reversal for Impairment loss	(	246)
Effect of exchange rate changes	(	37)
March 31	\$	8,432

  

	2019	
	Accounts receivable	
January 1	\$	3,630
Allowance for Impairment loss		854
Effect of exchange rate changes		27
March 31	\$	4,511

(c) Liquidity Risk

- i. The cash flow forecast is performed by each operating entity of the Group and compiled by the Group's treasury. The Group's treasury monitors rolling forecasts of the Group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times.
- ii. The Group's treasury invests surplus cash in interest-bearing demand deposits and time deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the aforementioned forecasts.
- iii. As of March 31, 2020, December 31, 2019 and March 31, 2019 the Group has unused borrowing facilities of \$3,493,725, \$3,218,810 and \$2,662,959, respectively.
- iv. The following table is the Group's non-derivative financial liabilities, classified according to the relevant maturity date; the non-derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the contract maturity date; the derivative financial liabilities are analyzed based on the remaining period from the balance sheet date to the expected maturity date; the amounts of contractual cash flows disclosed in the following table are the undiscounted amount.

Non-derivative financial liabilities:

March 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	\$ 1,505,235	\$ -	\$ -	\$ -	\$ -
Short-term notes payable	80,000	-	-	-	-
Accounts payable	1,331,512	-	-	-	-
Other payables	785,477	43,330	-	-	-
Corporate bonds payable	-	-	52,900	-	-
Lease liabilities	13,902	6,207	16,592	47,267	258,518

Non-derivative financial liabilities:

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

Non-derivative financial liabilities:

March 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	\$ 982,011	\$ -	\$ -	\$ -	\$ -
Short-term bills payable	80,000	-	-	-	-
Accounts payable	1,168,121	-	-	-	-
Other payables	728,599	47,268	3,254	-	-
Corporate bonds payable	14,700	-	-	878,700	-
Lease liabilities	10,059	13,452	49,409	72,439	99,577

C. Fair Value Information

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

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

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

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

(2) Financial Instruments not Measured at Fair Value

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

	March 31, 2020	
	Carrying amount	Fair Value
		Level 3
Corporate bonds payable	\$ 52,056	\$ 52,314

  

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

  

	March 31, 2019	
	Carrying amount	Fair Value
		Level 3
Corporate bonds payable	\$ 870,165	\$ 873,231

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

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

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

March 31, 2020	Level 1	Level 2	Level 3	Total
Assets				
<u>Recurring fair value</u>				
Financial assets at fair value through profit and loss				
- Listed company stock	\$ 3,108	\$ -	\$ -	\$ 3,108
- Redemption right of convertible corporate bonds	-	-	191	191
Total	\$ 3,108	\$ -	\$ 191	\$ 3,299

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

March 31, 2019		Level 1		Level 2		Level 3		Total
Assets								
<u>Recurring fair value</u>								
Financial assets at fair value through profit and loss								
- Listed company stock	\$	2,318	\$	-	\$	-	\$	2,318
- Redemption right of convertible corporate bonds		-		-	(	88)	(	88)
Total	\$	<u>2,318</u>	\$	<u>-</u>	(\$	<u>88</u> )	\$	<u>2,230</u>

- (4) The methods and assumptions the Group used to measure fair value are as below:
- For the Level 1 instruments which the Group used market quoted prices as their fair values and which are listed stocks by characteristics, their closing prices were used as market quoted prices.
  - Forward exchange contracts are usually evaluated based on the current forward exchange rate.
  - The cash flow expected to be received by the corporate bonds payable according to the underlying assets are measured by the discounted present value of the market interest rate at the balance sheet date.
- (5) From January 1 to March 31, 2020 and 2019 there was no transfer between Level 1 and Level 2.
- (6) The following table shows the changes from January 1 to March 31, 2020 and 2019 for Level 3:

	2020	2019
	Non-derivative equity instruments	Non-derivative equity instruments
January 1	\$ 28	(\$ 5,500)
Gain or loss on the recognized profit or loss (Note)	171	5,391
Current conversion	( 8)	21
March 31	<u>\$ 191</u>	<u>(\$ 88)</u>

Note: Recognized in other gains and losses.

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

	Fair value as of March 31, 2020	Evaluation techniques	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	\$ 191	Binomial Tree Evaluation Model	Volatility	45.81%	The higher the volatility, the higher the fair value

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

	Fair value as of March 31, 2019	Evaluation techniques	Significant unobservable input value	Interval (weighted average)	Relationship between input value and fair value
Hybrid Instruments:					
Corporate bond redemption right	(\$ 88)	Binomial Tree Evaluation Model	Volatility	26.13%	The higher the volatility, the higher the fair value

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

		March 31, 2020			
		Recognized in Profit or Loss			
	Input value	Change	Favorable change	Unfavorable change	
Financial Liabilities					
Hybrid instruments	Volatility	±5%	\$ 58	(\$ 16)	
		December 31, 2019			
		Recognized in Profit or Loss			
	Input value	Change	Favorable change	Unfavorable change	
Financial Liabilities					
Hybrid instruments	Volatility	±5%	\$ 21	(\$ 21)	
		March 31, 2019			
		Recognized in Profit or Loss			
	Input value	Change	Favorable change	Unfavorable change	
Financial Liabilities					
Hybrid instruments	Volatility	±5%	\$ 791	(\$ 88)	

### 13. Supplementary Disclosures

#### A. Information on Significant Transactions

- (1) Capital loans to others: Please refer to Appendix Table 1.
- (2) Endorsements and guarantees: Please refer to Appendix Table 2.
- (3) Marketable securities held at the end of the period (excluding investment in subsidiaries, associates, and joint ventures): Please refer to Appendix Table 3
- (4) Acquisition or sale of the same securities with the accumulated cost reaching \$300 million or 20% of paid-in capital or more: None.
- (5) Acquisition of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (6) Disposal of real estate reaching \$300 million or 20% of paid-in capital or more: None.
- (7) Purchases from and sales to related parties reaching \$100 million or 20% of paid-in capital: Please refer to Appendix Table 4.
- (8) Receivable from related parties reaching \$100 million or 20% of the paid-in capital: Please refer to Appendix Table 5.
- (9) For derivatives transactions: Please refer to Note 6(B).
- (10) Parent-subsidary and subsidiary-subsidary business relations and significant transactions and amounts thereof: Please refer to Appendix Table 6.

#### B. Information of Business Re-invested

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

#### C. Information on Investment in China

- (1) Basic Information: please refer to Appendix Table 8.
- (2) Significant transactions between the Company and investees in Mainland China directly or indirectly through entities in a third area: Please refer to Note 13(A)

#### D. Information of major shareholder

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

### 14. Operating Segment Information

#### A. General Information

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

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

#### B. Department Information

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

	January 1 to March 31, 2020			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	\$ 2,770,522	\$ 2,341	\$ 1	\$ 2,772,864
Inter-segment revenue	2,063,253	308,145	329	2,371,727
Total revenue	\$ 4,833,775	\$ 310,486	\$ 330	\$ 5,144,591
Segment profit (loss)	\$ 353,039	\$ 25,083	\$ 352,748	\$ 730,870
Segment total assets (Note)	\$ -	\$ -	\$ -	\$ -
Segment total liabilities (Note)	\$ -	\$ -	\$ -	\$ -

	January 1 to March 31, 2019			
	Production and sales of shoes	Retail business	Other businesses	Total
Revenue				
Revenue from external customers	\$ 2,566,183	\$ 11,457	\$ 3	\$ 2,577,643
Inter-segment revenue	1,775,016	293,627	336	2,068,979
Total revenue	\$ 4,341,199	\$ 305,084	\$ 339	\$ 4,646,622
Segment profit (loss)	\$ 218,501	\$ 16,842	\$ 200,958	\$ 436,301
Segment total assets (Note)	\$ -	\$ -	\$ -	\$ -
Segment total liabilities (Note)	\$ -	\$ -	\$ -	\$ -

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

#### C. Reconciliation of Segment Revenue and Profit or Loss

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

	January 1 to March 31, 2020	January 1 to March 31, 2019
Revenue after adjustment from reportable operating segments	\$ 5,144,261	\$ 4,646,283
Revenue after adjustment from other operating segments	330	339
Total income before tax from operating segments	5,144,591	4,646,622
Elimination of intersegment revenue	( 2,371,727 )	( 2,068,979 )
Total consolidated operating revenue	\$ 2,772,864	\$ 2,577,643

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

	<u>January 1 to March 31, 2020</u>	<u>January 1 to March 31, 2019</u>
Revenue after adjustment from reportable operating segments	\$ 378,122	\$ 235,343
Revenue after adjustment from other operating segments	352,748	200,958
Total income before tax from operating segments	<u>730,870</u>	<u>436,301</u>
Elimination of intersegment revenue	( 326,216 )	( 192,686 )
Total consolidated operating revenue	<u>\$ 404,654</u>	<u>\$ 243,615</u>

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

Loans to others

January 1 to March 31, 2020

In Thousands of New Taiwan Dollars

Appendix Table 1

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	\$ 445,600	\$ 445,600	1.80%	Short-term financing	\$ -	Operating capital	\$ -	None	\$ -	\$ 703,248	\$ 879,060	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 Q1 2020, the exchange rates for assets and profit or loss were USD:NTD=30.225 and USD:NTD=30.1131, respectively.

Note 5: Offset in consolidated statements.

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

Provision of endorsements and guarantees to others

January 1 to March 31, 2020

In Thousands of New Taiwan Dollars  
(Unless Otherwise Specified)

Appendix Table 2

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	Note
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	Subsidiaries	\$ 5,226,199	\$ 75,625	\$ -	\$ -	\$ -	0.00%	\$ 6,968,266	Y	N	Y	Note 3

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

- (1) For the issuer, fill in 0.
- (2) Investee companies are numbered by company starting from 1 in sequence.

Note 2: Relationship between the endorser/guarantor and the Company is classified into the following seven categories (just mark the category number):

- (1) Companies with whom the Company conducts business.
- (2) A Company directly, and indirectly, holds more than 50% of the voting shares.
- (3) A company in which the Company directly, and indirectly, holds more than 50% of the voting shares.
- (4) A company in which the Company directly, and indirectly, holds more than 90% of the voting shares.
- (5) Companies with the same industry or mutual project undertakers that have mutual guarantee based on contract agreements due to contractual project needs
- (6) Shareholders make endorsements/guarantees for their jointly invested company in proportion to their shareholding percentages.
- (7) The performance guarantee of the pre-sale house sales contract in the inter-bank business in accordance with the Consumer Protection Law is jointly guaranteed

Note 3: The limit of endorsements/guarantees provided for a single party is 60% of the net worth of Capital Concord Enterprise Limited.

Note 4: The maximum amount available for endorsements/guarantees is 80% of the net worth of Capital Concord Enterprise Limited.

Note 5: The joint guarantor of the endorsement/guarantee is Lin, Wen-Chih.

Note 6: In Q1 2020, the exchange rates for assets and profit or loss were USD:NTD=30.225 and USD:NTD=30.1131, respectively.

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

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

March 31, 2020

Appendix Table 3

Securities Held by	Marketable securities (Note 1)	Relationship with the securities issuer	General ledger account	At ending			In Thousands of New Taiwan Dollars (Unless Otherwise Specified)		Note
				Number of Shares	Book value	Ratio of Shareholding	Fair value		
Fulgent Sun International (Holding) Co., Ltd.	Stock – Tainan Enterprises (CAYMAN)	None	Financial Assets at Fair Value through Profit or Loss - Non-current	181,774	\$ 3,108	0.61	\$ 3,108	-	

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

January 1 to March 31, 2020

Appendix Table 4

In Thousands of New Taiwan Dollars  
(Unless Otherwise Specified)

Purchaser/Seller	Name of the Counterparty	Relationship with the counterparty	Transaction Details				Unusual trade conditions and its reasons (Note)		Notes and Accounts Receivable (Payable)		
			Purchase/Sale	Amount	Percentage of total purchases (sales)	Credit term	Unit Price	Credit term	Balance	Percentage of total notes/accounts receivable (payable)	Note
Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	Subsidiaries	Purchase	\$ 513,558	0.24	180 days after purchase	Note 1	Note 1	(\$ 1,585,898)	( 1.19)	Notes 2 and 3
Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	Subsidiaries	Purchase	222,214	0.11	90 days after purchase	Note 1	Note 1	( 308,576)	( 0.23)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiaries	Purchase	718,264	0.34	120 days after purchase	Note 1	Note 1	( 74,962)	( 0.06)	Notes 2 and 3
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Subsidiaries	Purchase	284,244	0.13	120 days after billing	Note 1	Note 1	-	-	Notes 2 and 3
Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	Subsidiaries	Purchase	133,519	0.06	120 days after billing	Note 1	Note 1	( 196,181)	( 0.15)	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd	Subsidiaries	Sales	( 133,749)	( 0.05)	135 days after Sales	Note 1	Note 1	256,121	0.14	Notes 2 and 3

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

Note 2: In Q1 2020, the exchange rates for assets and profit or loss were USD:NTD=30.225 and USD:NTD=30.1131, 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

March 31, 2020

Appendix Table 5

In Thousands of New Taiwan Dollars  
(Unless Otherwise Specified)

Creditor	Name of the Counterparty	Relationship with the counterparty	Accounts receivable balance		Turnover Rate	Overdue Receivable		Amount collected subsequent to the reporting period(Note 1)	Allowance for bad debt	Note
			from related party			Amount	Actions Taken			
Fujian Sunshine Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	\$ 1,585,898		1.31	\$ -	-	\$ 183,237	\$ -	Notes 2 and 3
Sunny Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	275,209		0.98	-	-	21,014	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	117,250		1.75	-	-	-	-	Notes 2 and 3
Hubei Sunsmile Footwear Co., Ltd.	Capital Concord Enterprises Limited	Parent company	445,600		-	-	-	-	-	Notes 2 and 3
Fujian Laya Outdoor Products Co., Ltd.	Capital Concord Enterprises Limited	Parent company	308,576		2.91	-	-	84,956	-	Notes 2 and 3
NGOC Hung Footwear Co., Ltd. (Vietnam)	Capital Concord Enterprises Limited	Parent company	196,181		2.38	-	-	43,829	-	Notes 2 and 3
Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	Subsidiaries	256,121		1.26	-	-	83,159	-	Notes 2 and 3

Note 1: The subsequent collections represent collections from the balance sheet date to April 30, 2020.

Note 2: In Q1 2020, the exchange rates for assets and profit or loss were USD:NTD=30.225 and USD:NTD=30.1131, 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

January 1 to March 31, 2020

Appendix Table 6

In Thousands of New Taiwan Dollars  
(Unless Otherwise Specified)

No. (Note 1)	Name of Trading Partner	Counterparty	Relationship (Note 2)	Transaction Status			Percentage of consolidated total operating revenues or total assets (Note 3)
				General Ledger Account	Amount (Note 5)	Trade terms	
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Accounts receivable	\$ 256,121	Note 4	1.97%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Accounts payable	1,585,898	Note 4	12.18%
1	Capital Concord Enterprises Limited	Sunny Footwear Co., Ltd.	1	Accounts payable	275,209	Note 4	2.11%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Accounts payable	308,576	Note 4	2.37%
1	Capital Concord Enterprises Limited	Fujian Sunshine Footwear Co., Ltd.	1	Purchase	513,558	Note 4	18.52%
1	Capital Concord Enterprises Limited	Fujian Laya Outdoor Products Co., Ltd.	1	Purchase	222,214	Note 4	8.01%
1	Capital Concord Enterprises Limited	Lin Wen Chih Sunbow Enterprises Co., Ltd.	1	Purchase	718,264	Note 4	25.90%
1	Capital Concord Enterprises Limited	Hubei Sunsmile Footwear Co., Ltd.	1	Other payables	445,600	Note 4	3.42%
1	Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	1	Purchase	284,244	Note 4	10.25%
1	Capital Concord Enterprises Limited	NGOC Hung Footwear Co., Ltd. (Vietnam)	1	Accounts payable	196,181	Note 4	1.51%

Note 1: The numbers filled in for parent-subsidiary transactions are described as follows:

(1) The parent company is coded "0". (2) The subsidiaries are coded by company from 1 in sequence.

Note 2: Relationships are categorized into the following three types. Please specify the type. (The same transaction shall not be disclosed repetitively. For example, if the transaction between the parent company and a subsidiary has been disclosed by the parent company, it need not be disclosed by the subsidiary.

If the transaction between two subsidiaries has been disclosed by one subsidiary, it need not be disclosed by the other subsidiary.

(1) Parent company to subsidiaries. (2) Subsidiaries to parent company. (3) Inter-subsidiary

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

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

Note 5: In Q1 2020, the exchange rates for assets and profit or loss were USD:NTD=30.225 and USD:NTD=30.1131, respectively.

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

Note 7: Offset in consolidated statements

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

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

January 1 to March 31, 2020

Appendix Table 7

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)	In Thousands of New Taiwan Dollars (Unless Otherwise Specified) Investment gains and losses recognized in the current period (Note 3)		Note
				March 31, 2020	December 31, 2019	Number of Shares (Note 1)		Book value (Note 3)				
						Ratio						
Fulgent Sun International (Holding) Co., Ltd.	Capital Concord Enterprises Limited	Hong Kong	Production and sale of sports and outdoor shoes	\$ 5,307,307	\$ 5,307,307	1,385,900,000	100	\$ 8,710,332	\$ 359,006	\$ 359,006	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	2,301,975	171,497	171,497	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	209,194	( 1,551)	( 1,416)	Subsidiaries	
Capital Concord Enterprises Limited	Fulgent Sun Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production and Sales	1,202,635	1,098,870	-	100	1,316,038	( 9,983)	( 9,983)	Subsidiaries	
Capital Concord Enterprises Limited	NGOC HUNG Footwear Co., Ltd.	Vietnam	Sports Leisure Outdoor Footwear Production and Sales	1,206,297	1,165,931	-	100	1,173,380	( 5,982)	( 5,982)	Subsidiaries	
Capital Concord Enterprises Limited	Laya Outdoor Products Limited	Hong Kong	Holding company	40,449	40,449	10,618,000	100	37,206	( 589)	( 589)	Subsidiaries	
Capital Concord Enterprises Limited	Laya Max Trading Co., Ltd.	Taiwan	Distribution Agent and Import and Export Trade	12,395	12,395	-	100	16,621	( 1)	( 2)	Subsidiaries	
Lin Wen Chih Sunbow Enterprises Co., Ltd.	Lin Wen Chih Sunlit Enterprises Co., Ltd.	Cambodia	Land lease	184,611	184,611	-	100	188,215	128	128	Subsidiaries	

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

Note 2: The historical exchange rate was adopted.

Note 3: In Q1 2020, the exchange rates for assets and profit or loss were USD:NTD=30.225 and USD:NTD=30.1131, respectively.

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

Subsidiaries Information on Investments in Mainland China

January 1 to March 31, 2020

Appendix Table 8

														In Thousands of New Taiwan Dollars (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)		Amount remitted from Taiwan to Mainland China/ Amount remitted back to Taiwan for the year ended (Note 5)	Net income (loss) of the investee in the current period	Ownership held by the Company	Investment income (loss) recognize in the current period (Note 4)	Book value of investments in Mainland China for the year ended (Note 4)	Accumulated amount of investment income remitted back to Taiwan for the year ended	Note		
					Remitted to Mainland China	Remitted back to Taiwan									
Fujian Sunshine Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	\$ 723,826	2	\$ -	\$ -	\$ -	\$ -	\$ 50,506	100	73,410	\$ 2,155,724	\$ -	Note 1		
Hubei Sunsmile Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	1,825,033	2	-	-	-	-	4,125	100	10,090	1,755,560	-			
Sunny Footwear Co., Ltd.	Sports Leisure Outdoor Footwear Production and Sales	130,680	2	-	-	-	-	9,999	100	9,999	411,283	-			
Fujian Laya Outdoor Products Co., Ltd.	Distribution Agent and Import and Export Trade	40,656	2	-	-	-	-	20,641	100	24,912	234,845	-			
Fujian La Sportiva Co., Ltd.	Distribution Agent and Import and Export Trade	67,148	2	-	-	-	-	( 969)	60	( 581)	35,761	-			

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 number of category each case belongs to:

- (1) Investment in Mainland China companies by remittance through a third region
- (2) Investment in Mainland China companies through a company invested and established in a third region
- (3) Investment in Mainland China companies through an existing company established in a third region

Note 3: The historical exchange rate was adopted.

Note 4: In Q1 2020, the exchange rates for assets and profit or loss were USD:NTD=30.225 and USD:NTD=30.1131, 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\$2,605,976,000 through re-investment in Hong Kong.

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

Information of major shareholders

March 31, 2020

Appendix Table 9

Name of Major Shareholder	Shares	
	Number of shares	Percentage of Ownership(%)
Custodial Account (LASPORTIVA INT'L CO., LTD.) Used by CTBC Bank	22,379,009	12.78
Custodial Account (MEINDL INT'L CO., LTD.) Used by CTBC Bank	20,070,372	11.46
Fubon Life Assurance Co., Ltd	10,375,000	5.92

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

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