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Fulgent Sun (9802) Announces FY2021 2Q Unaudited Financial Result

Fulgent Sun: 2Q21 Gross profit margin was 14.4%, operating profit margin was 4.8%, and EPS was NT\$0.7.

In the first half of 2021, gross profit margin was 17.5%, operating profit margin was 8.0%, and EPS was \$2.45.

COVID-19 disturbs the group's rhythms of operations, actual production and sales in the short term, yet mid- and long-term growth momentum remains sturdy.

2021/07/20, Douliu

Fulgent Sun International (Holding) Co., Ltd. ("Fulgent Sun", TWSE: 9802) today announced its unaudited results for 2Q21.

Key Points

- Fulgent Sun's 2Q21 consolidated sales rose 46.4% year-on-year (YoY) to NT\$3.48 billion. It also posted gross profit margin of 14.4% and operating profit margin of 4.8% over the period, which dropped 5.5 and 5.0 percentage points YoY respectively. 2Q21 Net income attributable to the parent company declined 24.6% YoY to \$130 million, while earnings per share (EPS) fell 29.3% YoY to NT\$0.7. Throughout the period, the appreciation of Chinese Yuan and NT Dollars, the main reason for a higher non-operating expenditure, lowered EPS by \$0.26. In the first half of 2021, consolidated sales increased 33.9% annually to \$6.9 billion. Gross profit margin decreased 4.5 percentage points to 17.5%, while operating profit margin slipped 3.4 percentage points to 8.0% over the period. Net income attributable to the parent company lowered 13.5% annually to \$455 million in the first half, with EPS after tax sinking 18.6% YoY to \$2.45.
- Fulgent Sun Group's overall orders, output and sales showed firm growth in 2021 2Q. However, given that pandemic has reappeared in Asian countries since May, the group's major production bases and their daily operations continue to face increasing uncertainties. Production lines have been in shifts or on hold. Daily attendance rate of employees, capacity utilization rate of plants, the punctuality of importing and exporting schedule, production schedule and management have all been impacted by the pandemic, especially this June. Furthermore, most raw material costs rose over the period. Other costs-related factors such as lower learning effectiveness for fresh employees, extra expenditure from COVID-19 high-intensity preventive measures, and non-operating foreign exchange valuation loss caused by the appreciation of Chinese Yuan and NT Dollars. The negative factors mentioned above directly took a toll on earnings in 2Q21.
- About Fulgent Sun's allocation of production capacity in the first half of 2021, China made up 29.9%, while Vietnam mounting to 50.3%, with Cambodia accounting for 19.8%. In terms of market performances (destinations assigned by brand customers), sales in greater Europe region sequentially ranked the highest at 48.0% of revenue in the first half. Greater America region continues to show growth over the years, reaching 39.7% of revenue over the period. Currently the group has almost 50 brand clients, with the top ten contributing 80% of sales in the first half. Fulgent Sun will continuously develop new customers, and strengthen its operation model of taking orders from various brands and flexible production. Novel brand clients are expected to join production lines consecutively in the second half of 2021.

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- Since COVID-19 remains treacherous and continues to take its toll on southeast Asia, Fulgent Sun's actual short-term operation results depend on the level of impacts of pandemic. Thanks to gradual lifting of pandemic regulations in Europe and the US, the group's major markets, consumption on outdoor leisure activities and related goods has been perking up. Demand for new shoe designs for the coming year and orders for the second half of 2021 from brand clients have shown a significant growth. Although Fulgent Sun's output was temporally limited by unstable attendance rate of employees and short-term sales were delayed as a result of lower sales volumes, the majority of economic activities are bound for recovering to normal as people eventually must learn the way to coexist with COVID-19. Therefore, the group's operation team has always remained a cautiously conservative and robust mindset. Rather than retreating, the group's cautious attitude is to become more practical and precise in allocating resources. Meanwhile, being conservative does not reflect on pessimism, but more about holding an attitude of advancing with the times and responding effectively. The group will continuously overcome various challenges and uncertainties, and further grasp all kinds of opportunities to rise above and improve operation dedicatedly.

(Appendix) Fulgent Sun (9802) 2Q 2021 Unaudited Financial Results :

(In NTD '000 ; %)

	2021/Q2	2020/Q2	YoY	2021/H1	2020/H1	YoY
Consolidated Sales	3,479,368	2,376,331	46.4	6,896,217	5,149,195	33.9
Gross Profit	500,851	473,154	5.9	1,204,455	1,133,562	6.3
Gross Profit Margin (%)	14.4%	19.9%	—	17.5%	22.0%	—
Operating Expenses	334,267	240,744	38.8	655,915	544,774	20.4
Operating Expense Ratio(%)	9.6%	10.1%	—	9.5%	10.6%	—
Operating Profit	166,584	232,410	-28.3	548,540	588,788	-6.8
Operating Profit Margin (%)	4.8%	9.8%	—	8.0%	11.4%	—
Non-operating Revenue & Expenses	-39,657	-25,940	52.9	-33,505	22,336	-250.0
Net Income	129,517	171,410	-24.4	454,893	525,030	-13.4
Net Income attributed to parent company	129,710	171,923	-24.6	455,201	526,066	-13.5
EPS	0.70	0.99	-29.3	2.45	3.01	-18.6
Exchange rate effect	-0.26	-0.13	—	-0.25	0.08	—
Excluding exchange rate effect	0.96	1.12	-14.3	2.70	2.93	-7.8

About Fulgent Sun

Fulgent Sun International (Holding) Co., Ltd. ("Fulgent Sun", TWSE: 9802) was established in 1995, principally engaged in foundry production and distribution of sports shoes and outdoor shoes. There are more than 40 international well-known brand customers. Its headquarters is located at Douliu City, Yunlin County, Taiwan. There are six factories which spread throughout China, Vietnam, and Cambodia.



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Forward Looking Statements

Some of the statements contained in this press release may be considered forward-looking statements. These statements identify prospective information. Forward-looking statements are based on information available at the time and/or management's good faith belief with respect to future events, and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. These forward-looking statements are subject to a number of factors that may cause actual results to differ materially from the expectations described, which include but are not limited to economic, competitive, market, currency, governmental and financial factors. Fulgent Sun International (Holding) Co., Ltd. assumes no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws.