

STOCK SYMBOL : 1340



Victory New Materials Limited Company



2019 ANNUAL REPORT

VICTORY NEW MATERIALS LIMITED COMPANY

TABLE OF CONTENT

I. REPORTS TO SHAREHOLDERS	1
II. INTRODUCTION TO VICTORY NEW MATERIALS LIMITED COMPANY.....	4
(I) COMPANY & CORPORATE GROUP INTRODUCTION.....	4
(II) COMPANY HISTORY.....	4
(III) SITUATIONS OF HANDLING COMPANY MERGER, RE-INVESTMENT AFFILIATED COMPANY AND REORGANIZATION IN RECENT YEARS AND TILL THE PRINTING DATE OF THE ANNUAL REPORT:	5
(IV) MASSIVE TRANSITION OR CHANGE IN EQUITY OF DIRECTORS, SUPERVISORS OR BIG SHAREHOLDERS WITH OVER 10% SHAREHOLDING RATIO, THE CHANGE IN MANAGEMENT RIGHT, MAJOR CHANGE IN BUSINESS MODELS OR BUSINESS CONTENT AND OTHER IMPORTANT MATTERS THAT COULD AFFECT THE EQUITY OF SHAREHOLDERS AND THEIR EFFECT TO THE COMPANY: NONE °	6
III. CORPORATE GOVERNANCE REPORT	7
(I) ORGANIZATIONAL STRUCTURE.....	7
(II) INFORMATION OF DIRECTORS, SUPERVISORS, GENERAL MANAGER, VICE GENERAL MANAGER, ASSISTANT MANAGER, DEPARTMENT MANAGERS AND MANAGERS OF BRANCH OFFICES:	10
(III) CIRCUMSTANCES OF COMPANY GOVERNANCE OPERATION	28
(IV) INFORMATION ABOUT PROFESSIONAL FEES OF THE CERTIFIED PUBLIC ACCOUNTANT	52
(V) INFORMATION ON CHANGE OF ACCOUNTANT: NONE	53
(VI) IF THE BOARD OF DIRECTOR, GENERAL MANAGER, THE MANAGERS IN CHARGE OF FINANCIAL OR ACCOUNTING AFFAIRS OF A COMPANY HAS WORKED IN THE ACCOUNTING FIRM OF THE CERTIFIED ACCOUNTANT OR OTHER AFFILIATED COMPANIES IN THE RECENT YEARS: NONE.....	53
(VII) CIRCUMSTANCES OF CHANGES IN STOCKHOLDERS' EQUITY TRANSFER AND PLEDGE FOR THE DIRECTORS, SUPERVISORS, MANAGERS AND SHAREHOLDERS WITH SHAREHOLDING RATIO OVER 10% IN RECENT YEARS AND TILL THE PRINTING DATE OF THE ANNUAL REPORT. THE RELATIVE PERSON OF THE STOCKHOLDERS' EQUITY TRANSFER OR PLEDGE IS A RELATED PERSON, THEN THE NAME OF THE RELATED PERSON, HIS/HER RELATION WITH THE COMPANY, DIRECTORS, SUPERVISORS, SHAREHOLDERS WITH OVER 10% SHAREHOLDINGS, THE NUMBER OF OBTAINED OR PLEDGED STOCK SHOULD BE DISCLOSED.	53
(VIII) INFORMATION ON THE SHAREHOLDERS WHO ARE THE TOP 10 ON SHAREHOLDING RATIO LIST AND ARE RELATED PERSONS, SPOUSE OR SECOND-DEGREE RELATIVE BETWEEN THEM.....	55

(IX) THE NUMBER OF SHAREHOLDINGS FOR THE SAME RE-INVESTMENT BUSINESS FROM THE COMPANY, THE DIRECTORS, SUPERVISORS, MANAGERS AND THE DIRECT OR INDIRECT CONTROL BUSINESS OF THE COMPANY AND THE COMBINATION OF THE TOTAL SHAREHOLDING RATIO	56
IV. FUNDING SITUATIONS	57
(I) SOURCE OF CAPITAL STOCK.....	57
(II) STRUCTURE OF SHAREHOLDERS	58
(III) DISPERSION OF RECENT STOCK	59
(IV) LIST OF MAIN SHAREHOLDERS	60
(V) THE MARKET PRICE, NET VALUE, SURPLUS, DIVIDEND OF EACH STOCK IN THE PAST TWO YEARS AND THE RELEVANT INFORMATION	61
(VI) DIVIDEND POLICY AND ENFORCEMENT OF THE COMPANY	62
(VII) IMPACT ON THE BUSINESS PERFORMANCE OF OUR COMPANY AND EARNING PER SHARE BY THE PROPOSED STOCK GRANTS DURING THIS SHAREHOLDERS' MEETING.....	62
(VIII) EMPLOYEE BONUS AND THE REMUNERATION OF DIRECTORS AND SUPERVISORS.....	62
(IX) STOCK BOUGHT BACK BY OUR COMPANY: NONE.....	63
(X) SITUATIONS OF CORPORATE BOND (INCL. OVERSEAS CORPORATE BOND): NONE.....	63
(XI) SITUATIONS OF PREFERRED STOCK: NONE	63
(XII) SITUATIONS OF PARTICIPATION IN THE ISSUANCE OF OVERSEAS DEPOSITARY RECEIPT: NONE...	63
(XIII) SITUATIONS OF EMPLOYEE STOCK OPTION CERTIFICATES: NONE.....	63
(XIV) SITUATIONS OF MERGER: NONE	63
(XV) SITUATIONS OF THE ISSUANCE OF NEW STOCK BY TRANSFERRING OTHER COMPANY'S STOCK: NONE	63
(XVI) ENFORCEMENT OF THE APPLICATION PROGRAM FOR FUNDS:	63
V. OVERVIEW OF BUSINESS OPERATIONS	65
(I) CONTENT OF THE BUSINESS	65
(II) OVERVIEW OF MARKET AND SALES	82
(III) NUMBER OF WORKING EMPLOYEES IN THE CURRENT YEAR FOR THE PAST TWO YEARS AND TILL THE PRINTING DATE OF THE ANNUAL REPORT	93
(IV) INFORMATION ON ECO-FRIENDLY EXPENDITURE	94
(V) LABOR RELATIONS.....	94
IMPORTANT CONTRACTS	96
VI. FINANCIAL STATUS	100
(I) CONDENSED FINANCIAL INFORMATION OF THE PAST THREE YEARS	100
(II) FINANCIAL ANALYSIS.....	103

(III) AUDIT REPORT FROM AUDIT COMMITTEE FOR THE FINANCIAL STATEMENTS OF RECENT YEARS	106
--	-----

(IV) FINANCIAL STATEMENTS OF RECENT YEARS	107
---	-----

(V) INDIVIDUAL FINANCIAL STATEMENTS OF TH COMPANY AUDITED AND CERTIFITED BY THE ACCOUNTANTS IN RECENT YEARS	107
---	-----

(VI) IF THERE ARE DIFFICULTIES IN FINANCIAL TURNOVER FOR A COMPANY AND ITS AFFILIATED COMPANIES IN RECENT YEARS AND TILL THE PRINTING DATE OF THE ANNUAL REPORT, THEN THE IMPACT ON THE FINANCIAL STATUS OF OUR COMPANY BY SUCH CASES SHOULD BE STATED: NONE.	107
---	-----

VII. REVIEW AND ANALYSIS OF FINANCIAL STATUS AND FINANCIAL PERFORMANCE AND OTHER IMPORTANT MATTERS 108

(I) FINANCIAL STATUS	108
----------------------------	-----

(II) FINANCIAL PERFORMANCE	109
----------------------------------	-----

(III) CASH FLOW	110
-----------------------	-----

(IV) IMPACT ON FINANCIAL BUSINESS BY MAJOR CAPITAL EXPENDITURE IN RECENT YEARS.....	110
---	-----

(V) RE-INVESTMENT POLICY AND THE MAJOR REASONS AND IMPROVEMENT PLANS FOR THE PROFIT OR LOSS IN RECENT YEARS AND THE INVESTMENT PLAN FOR THE FUTURE YEAR	111
---	-----

(VI) ANALYSIS AND ASSESSMENT ON RISK MATTERS IN RECENT YEARS AND TILL THE PRINTING DATE OF THE ANNUAL REPORT	111
--	-----

(VII) OTHER IMPORTANT MATTERS:	115
--------------------------------------	-----

VIII. SPECIAL NOTES..... 116

(I) RELEVANT INFORMATION ON AFFILIATED COMPANY.....	116
---	-----

(II) CIRCUMSTANCES OF PRIVATE OFFERING OF SECURITIES IN RECENT YEARS: NONE.....	116
---	-----

(III) CIRCUMSTANCES OF THE STOCK OF OUR COMPANY HELD BY OR DISPOSED OF BY THE SUBSIDIARY IN RECENT YEARS AND TILL THE PRINTING DATE OF THE ANNUAL REPORT: NONE.....	116
---	-----

(IV) OTHER NECESSARY MATTERS FOR SUPPLEMENTARY: NONE.....	116
---	-----

(V) IF THERE ARE MATTERS THAT CAUSED MAJOR EFFECTS ON THE STOCKHOLDER’S EQUITY OR SECURITIES PRICE STATED IN SUBPARAGRAPH 2 OF PARAGRAPH 2 OF ARTICLE 36 OF THE ACT IN RECENT YEARS AND TILL THE PRINTING DATE OF THE ANNUAL REPORT, THEY SHOULD BE STATED IN DETAIL: NONE.....	116
---	-----

(VI) WHETHER SPECIFIC CONTENTS FOR PROTECTING STOCKHOLDER’S EQUITY HAS BEEN STIPULATED IN COMPANY LAW OR THE DOCUMENTS OF THE ORGANIZATION	117
--	-----

(VII) OTHERS.....	133
-------------------	-----

I. Reports to Shareholders

I. Operating performance of 2019

- The operating performance of the company has been rising gradually each year since the establishment of the company. The company has 12 single phase dual color injection molding machines (one for development), 5 single phase single-color injection molding machines, 10 two-shot molding machines, 3 pelletizers, 9 production lines for rubber sole and 6 production lines for lamination by the end of 2019. Consolidated operating revenue is NT\$1157 million, net income is NT\$438 million, and earning per share is NT\$2.87 in 2019. Comparing to 2018, there is a 44% decrease, 425% decrease and 426% decrease, respectively.

In 2019, due to China–United States trade war, the market competition was fierce and revenues decreased by nearly 40% compared with 2019. In addition, well-known sports brands in Mainland China have been greatly reduced in price due to market influence. Foreign trade customers have been affected by China–United States trade war and the order price has been lowered. As a result, the overall profit margin of the company's products has fallen sharply.

- The sales of sole and EVO particles in the last two years:

Product (Unit: pairs)	2018	2019
Rubber soles	354,829	-
Traditional single color soles	14,938,717	12,045,703
One phase dual color dual density injection soles	6,192,941	1,783,670
EVO particles (Unit: Thousand grams)	3,700,000	3,255,000

- The sales amount and operating revenue percentage of sole and EVO particles in the last two years:

Product (Unit: NT\$ 1,000)	2018	%	2019	%
Rubber soles	11,755	0.57%	-	-
Traditional single color soles	1,233,056	59.51%	771,004	66.64%
One phase dual color dual density injection soles	487,975	23.55%	104,328	9.02%
EVO colloidal particles	339,203	16.37%	281,691	24.35%
Total	2,071,989	100.00%	1,157,023	100.00%

4. Business performance analysis-accounting audit

Item	Year	2018	2019	Differences	
				Amount	%
Operating revenue		2,071,989	1,157,023	(914,966)	(44.16%)
Operating cost		1,722,629	1,370,878	(351,751)	(20.42%)
Gross profit		349,360	(213,855)	(563,215)	(161.21%)
Operating expense		222,202	156,140	(66,062)	(29.73%)
Operating profit		127,158	(369,995)	(497,153)	(390.97%)
Nonoperating Revenue		51,283	39,996	(11,287)	(22.01%)
Nonoperating revenue		(5,633)	(103,878)	(98,245)	1,744.10%
Pre-tax income		172,808	(433,877)	(606,285)	(351.07%)
Income tax expense		38,109	4,447	(33,662)	(88.33%)
Consolidated net profit		134,699	(438,324)	(573,023)	(425.41%)

The operating revenue has sharply decreased 44% in 2019 to NT\$1157 million comparing to 2018 with NT\$2072 million, due to China–United States trade war, the market competition was fierce, and customer orders decline. The gross profit has decreased 560% in 2019 to NT\$214 million comparing to 2018 with NT\$349 million, mainly attributed to the well-known sports brands such as the mainland region, which were greatly affected by the market, and the price of foreign trade customers was also affected by China–United States trade war. The overall profit margin of the company's products fell sharply. Its gross profit has decreased from 16.9% in 2018 to 18.5% in 2019. The operating expense has decreased about 30% in 2019 to NT\$156 million comparing to 2018 with NT\$222 million. This is mainly due to larger investment on the development of application in the sole made by graphene. Hence, the pre-tax income has decreased 350% to NT\$438 million in 2019 comparing to 2018 with NT\$172 million. The net profit belongs to the shareholders of the parent company has decreased 425% to NT\$438 million comparing to 2018 with NT\$135 million.

II. Operation plan for 2020

The company has made a prediction that the market of sports shoes will continue to experience turmoil in the face of China–United States trade war in 2020. The company has taken holds in stabilizing traditional single-color sole and promote one phase dual color dual density products furthermore. Our company will enhance the cooperation with international brands while continuing to build strong cooperation with well-known domestic sports brands to achieve the spreading of company products in top domestic and foreign sports brand. The future business directions are as follows:

1. Strengthen research and development and undergo material upgrade to enhance quality of products and expand market differentiation.
2. Refine dual color dual density production process continuously to enhance production efficiency and reduce production cost.
3. Arrange building magnetic hob manufacture center and expanding production capacity to strengthen leading position in the market.
4. Our company will continue to cooperate will international factories closely to strongly promote compostable eco-friendly materials and advance the testing and the adoption schedule of the material.

III. The effect from external competitive environment, regulation environment and overall business environment

The scale of sports shoe sole market in China is very large, and its growth potential develops fast. However, the entry barriers for shoes industry is relatively low. There are relatively more business corporations of all kinds in shoes industry currently. So, the competition among them are more severe. In recent years, our company has been focused on the development of materials and the innovation of production process to boost competitiveness. As a result, new type of materials such as EVO series material, rubber plastic foam material and compostable EVA material with different functions has been developed. Also, we have developed one phase dual color dual density injection soles ourselves, which reduce man power required by the production of traditional sole greatly and become the leader of the field. The sales of the company have grown significantly in recent years through product differentiation to avoid homogeneity competition. Soles and colloidal particles produced by our company have all been used by well-known domestic factories in China. They require high-level technology, and their adding values are high. With continuous development, innovation and process refining, they have high competitiveness in product development and production. The products have been adopted by major international factories in succession over the past few years. The company will continue to get hold of the market growth opportunity to increase the spreading of current brands, open up new international brands to create larger values for the shareholders.

Board of Director:

Manager:

Accounting Manager:

II. Introduction to Victory New Materials Limited Company

(I) Company & Corporate Group introduction

Victory New Materials Limited Company (hereinafter referred to as “our company”) is established in British Cayman Islands on June 14, 2012. The main operating company, Jinjiang Chandra Shoes Industry Co. Ltd, is located at Jinjiang city, Fujian province, China. Our company is a high and new technology enterprise focusing on the development and application of new polymer materials. Current products of our company are mainly applied in all kinds of shoe material. We own professional production bases, which includes two factories, 6 production workshop, 38 production lines and an additional specialized development center, with 920 employees currently.

(II) Company history

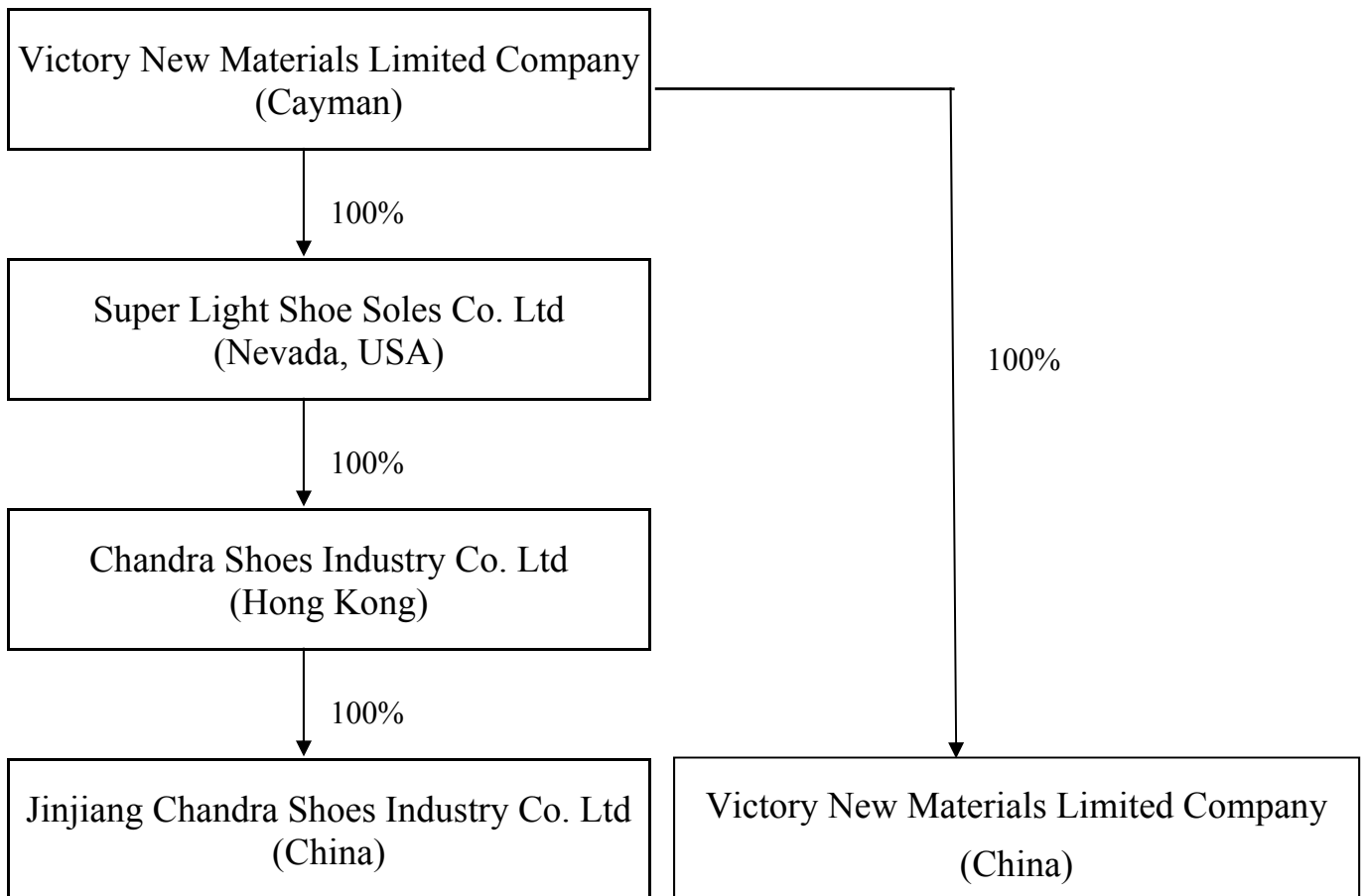
Year	Highlights
1997	Jinjiang Chandra Shoes Industry Co. Ltd was established.
1999	Honored as A Type Corporates from Tax Bureau of Jinjiang City
2000	“ACTONL” sports shoes are honored with golden medal in Jinjiang Footwear & Sports Industry International Exposition.
2001	“Redi” sports shoes are honored with golden medal in Jinjiang Footwear & Sports Industry International Exposition.
2009	Awarded ISO9001 Certificates for Quality Control System
	Awarded 6 Patent Certificates for Utility Model
2010	Successfully developed EVO materials and started selling on the market
	Obtained Authorization Certificates for Production from well-known international brands, Adidas, Reebok
	Obtained Certificate for “High and New Technology Enterprise” and Certificate for “National Green Credibility of Level AAA”
	Obtained 3 Patent Certificates for Design
	Set up implementation base with teaching and scientific research center of Fuzhou University Znicheng College
	Acquisition of a company in Nevada, USA to become listed in the USA, 8888 Acquisition Corporation (8888 Acquisition).
2011	Successfully developed one phase dual color dual density injection soles and then sold them on the market
	Obtained “New Suppliers of Chinese Brands in 2010-2011 for City Innovation”
	Obtained “10 best shoe material innovation enterprises in the West Side of the Straits”
	Obtained 1 patent certificate for design
	Obtained 1 patent certificate for utility model
2012	Obtained the honor for the starting unit of “Travel and Leisure Soles” given by Bureau of Quality and Technical Supervision in Fujian Province
	Obtained “Technology Innovation Demonstration Enterprise for

Year	Highlights
	Leather and Shoe Making Industries in China”
2012	Honored as Golden Medal Supplier for Leading Brands in China’s City of Shoes
	Obtained the honor as “Outstanding Enterprise” given by People’s Government of Quanzhou City
	Obtained 1 Patent Certificate for Innovation
	Established Victory New Materials Limited Company to become listed in Taiwan
	Established Victory New Material Mergerco Inc. (Mergerco) to reorganize the organizational structure
	Established Victory New Materials Limited Company to become listed in Taiwan
2013	EVO material has obtained Science and Technology Award, Patent Award and Excellence Award of Jinjiang City
	Patented with EVA Compostable
	Obtained “Heads of Key Enterprises of Excellent Brands with Economic Quality Honor in the Demonstration Enterprise List of West Side of the Straits” from Legal Newspaper
	Invested by venture capital from investment company under CDIB and SBC
2014	The company is officially listed in Jan. 14.
2015	One phase dual color dual density injection slippers have successfully entered the supply chain of ADIDAS.
2017	New magnetic hob factory has officially begun.

(III) Situations of handling company merger, re-investment affiliated company and reorganization in recent years and till the printing date of the annual report:

A. Situations of handling company merger and reorganization in recent years and till the printing date of the annual report: none.

B. Re-investment affiliated company



IV. Massive transition or change in equity of directors, supervisors or big shareholders with over 10% shareholding ratio, the change in management right, major change in business models or business content and other important matters that could affect the equity of shareholders and their effect to the company: none.

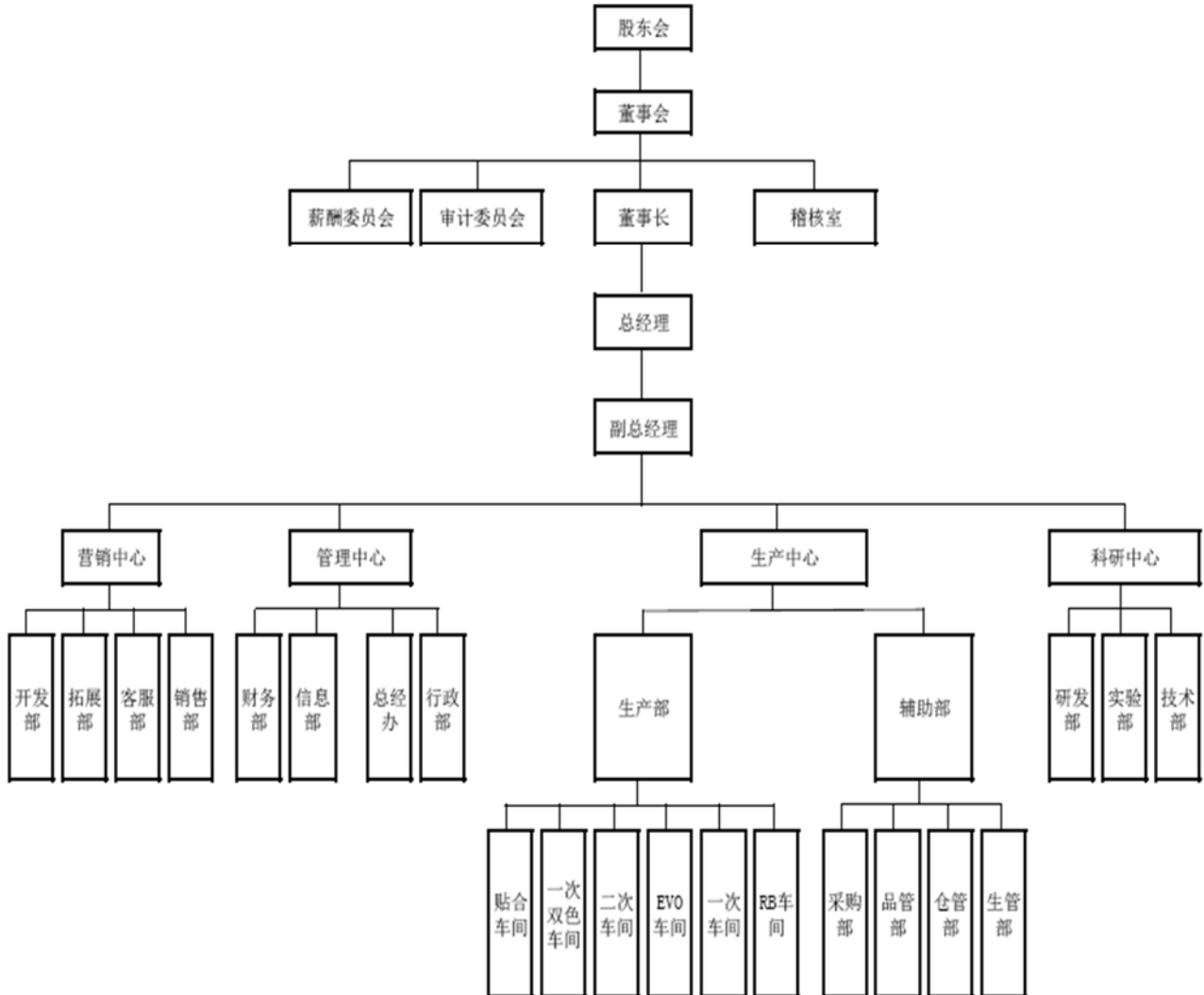
(V) Risk matters

Please refer to VII. Financial Status and Financial Performance Review and Analysis and Other Important Matters

III. Corporate Governance Report

(I) Organizational structure

1. Organizational chart



股東會	Shareholders Meeting	開發部	Dept of Development	貼合車間	Coating Workshop
董事會	Board of Directors	拓展部	Dept of Expansion	一次雙色車間	One Phase Dual Color Workshop
薪酬委員會	Compensation Committee	客服部	Dept of Customer Service	二次車間	Second Shot Workshop
審計委員會	Audit Committee	銷售部	Sales Department	EVO 車間	EVO Workshop
董事長	Board of Director	財務部	Dept of Finance	一次車間	One Phase Workshop
稽核室	Auditing Office	信息部	Information Department	RB 車間	RB Workshop
總經理	General Manager	總經辦	General Manager Office	採購部	Dept of Purchasing
副總經理	Vice General Manager	行政部	Dept of Administration	品管部	Dept of Quality Control
營銷中心	Marketing Center	生產部	Dept of Manufacture	倉管部	Dept of Warehouse Management
管理中心	Administrative Center	輔助部	Auxiliary Department	生管部	Dept of Production Management
生產中心	Manufacture Center	研發部	Dept of R&D		
科研中心	Scientific Research Center	實驗部	Laboratory		
		技術部	Dept of Technology		

2. Business operations of main departments

Department	Business operations
Board of Director	Plan business operations and policy of the company within the corporate group Set up operational objectives set up and assign the main managers of each company to perform and promote company business
General Manager	Lead and supervise the personnel in the department and manage company business
Marketing Center	Plan and perform marketing Open up orders and markets Gather market information and manage customers
Administrative Center	<p>1. Dept of Finance</p> <p>Set up financial plans for the company, manage and apply funds and perform risk management</p> <p>Plan and set up financial system and operational program of the company</p> <p>Perform management operations for affairs of accounting, tax and shares</p> <p>Analyze and report decision support</p> <p>2. Information Department</p> <p>Develop, plan, research, promote and manage information strategy and information business</p> <p>Plan, develop and maintain application software system</p> <p>Acquire information equipment, manage information budget, plan and manage operation systems, network and hardware</p> <p>Control, manage, review and improve system procedure</p> <p>3. General Manager Office</p> <p>Manage company personnel and items</p> <p>Perform health and safety management inside the factory zone</p> <p>Personnel related affairs</p> <p>Handle other relevant affairs inside the factory zone</p> <p>4. Dept of Administration</p> <p>Handle affairs related to official documents</p> <p>Store manuscript of company information and data</p> <p>Arrange, record, print and store meeting reports of the company</p> <p>Contact legal affairs</p> <p>Store important documents of the company</p>
Manufacture Center	<p>1. Dept of Manufacture</p> <p>Coordinate and manage production plan</p> <p>Maintain assets such as production equipment of the workshop and perform environmental management</p> <p>2. Auxiliary Department</p> <p>Formulate procurement direction, strategy, system and procedure (including reviewing, estimating and reporting procurement price)</p> <p>Develop new suppliers and maintain relationship with original</p>

Department	Business operations
	suppliers Coordinate problems with the suppliers Stock raw materials and inspect semi-finished and finished products Organize the data of the statistical analysis for feedback information of company product quality Configure, use, calibrate and maintain inspection equipment Plan warehouse area of all kinds and label Assist the organization with stocktaking Protect the warehouse and control the environment
Scientific Research Center	Collect and analyze new techniques of the industry and information of new products on the market Plan and perform development of new product and refinement of process techniques Sample, test and analyze products
Auditing Office	Formulate and perform inspection on inherent control of the company and audit system and plan the refinement of inherent control procedure Perform annual audit plan, make audit reports and track and improve audit faults Assist performing self checkup of inherent control and project audit

(II) Information of directors, supervisors, general manager, vice general manager, assistant manager, department managers and managers of branch offices:

A. Information of directors and supervisors

Our company does not have supervisors.

May 4, 2020

Position	Name	Gender	Nationality or domicile	First elective date	Elective date	Period	Shareholding when elected		Current shareholdings		Current shareholding of spouse, minor children		Shareholding in the name of others		Major education & experiences	Current positions in our company and other companies	Spouse or second-degree relatives who are managers, directors or supervisors		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Number of shares	Shareholding ratio	Position
Board of Director	Chuang, Kuo-Ching	Male	Hong Kong	2012/6/14	2019/6/10	3 years	(Remark 1)	(Remark 1)	(Remark 1)	(Remark 1)	-	-	-	-	Complete the President Class of Modern Enterprise Capital Operation in School of Management, Xiamen University Director of Jinjiang Zhonghe elementary school Vice President of Jinjiang Qingyang Chambers of Commerce Managing director of Jinjiang Shoe-making Association Managing director of Jinjiang Qingyang Overseas Community Association	Board of Director and General Manager of our company Executive Director of Jinjiang Chandra Shoes Industry Co. Ltd Super Light Shoe Soles Company Limited Director and General Manager of Super Light Shoe Soles Company Limited Director of Chandra Shoes Industry Co. Ltd Chang Xing Investment Limited (BVI) · Cheng Yue Investment Limited (BVI) Director of Chang Xing Investment Limited (BVI) and Director of Cheng Yue Investment Limited (BVI)	-	-	-
Director	Chuang, Hui-Huang	Male	PRC	2013/1/24	2019/6/10	3 years	(Remark 2)	(Remark 2)	(Remark 2)	(Remark 2)	-	-	-	-	Complete President Class in Xiamen University	Vice General Manager of Jinjiang Chandra Co. Ltd Supervisor of Jinjiang	-	-	-

																Chandra Shoes Industry Co. Ltd Director of Bai Cheng Investment Limited(BVI) Director of Victory New Materials Limited Company Director of Victory New Materials Limited Company			
Director	Hsu, Jui-Hsia	Female	ROC	2013/3/17	2019/6/10	3 years	(Remark 3)	(Remark 3)	(Remark 3)	(Remark 3)	-	-	-	-	Graduated from Department of Accounting in Ming Chuan University Assisting Manager of Deloitte & Touche CPAs Firm	Accountant of ChiaI CPAs Firm	-	-	-
Director	Chen, Tu-Yen	Male	Australia	2013/1/24	2019/6/10	3 years	-	-	-	-	-	-	-	Master's degree in Accounting in Australia Macquarie University Registered Accountant of Australia CPA, Registered Financial analyst of CFA and Passed the test for Financial Risk Manager FRM Accountant in Cabot Square Pty Ltd Tax Analyst in Falkiner Global Investors Limited Project Manager in Evalueserve Business Consulting Ltd. Company (Shanghai)	Chief Financial Officer of Victory New Materials Limited Company				
Independent Director	Wang, Liang-En	Male	PRC	2013/1/24	2019/6/10	3 years	-	-	-	-	-	-	-	Graduated from Department of Chemical Engineering in Fuzhou University Head of Department of Chemical Engineering in Fuzhou University (Dean) Head of Environmental	Independent Director of Fujian Yuanli Active Carbon Co. Ltd Director of Petroleum and Chemical Technology Association of Fujian Province	-	-	-	

															Science and Engineering Technology Development Center in Fuzhou University Managing Director of Chinese Environmental Science Academy Vice President of Eco-Friendly Industry Association in Fujian Managing Director for general affairs of Fujian Environmental Science Academy Vice President for general affairs of Old Professors Association of Fujian University and Old Technology Worker Association Managing Director for general affairs of Chinese Plastic Process Industry Association				
Independent Director	Lin, Shih-Hsun	Male	ROC	2013/1/24	2019/6/10	3 years	-	-	-	-	-	-	-	-	Master of Law in National Chung Cheng University Graduated from Department of Law in National Chung Hsing University Pass the Attorney of higher examination in ROC Pass Legal Affairs Section of the higher examination for public servants Proxy for ROC Patent Adjunct lecturer of Law credits program in Culture	Lawyer of YuCheng Law Firm	-	-	-

															University Jianyuan Assisting Manager for legal affairs in Electronic Toll Collection Ltd. Company Senior Lawyer in Jianye Law Firm				
Independent Director	Lin, Chen-Hsiang	Male	ROC	2013/1/24	2019/6/10	3 years	-	-	-	-	-	-	-	-	Bachelor's degree from Department of Accounting in Feng Chia University Master's degree from Accounting group in Department of Accounting and Information Technology in Chung Cheng University Financial and Accounting Manager in QST International Corp. Assisting Manager in Ernst & Young CPAs	Accountant of YuanFu CPAs Firm	-	-	-

Remark 1: Chuang, Kuo-Ching holds 3,033,520 shares of our company through Chang Xing Investment Limited with 100% ownership. Also, he holds 22,728,245 shares of our company through Cheng Yue Investment Limited with 100% ownership. These are accounted for 17.98% of our company shares.

Remark 2: Chuang, Hui-Huang holds 1,366,170 shares of our company through Bai Cheng Investment Limited with 100% ownership, which are accounted for 1.08% of our company shares.

Information of directors and supervisors

Criteria	Whether he/she has five years or more work experience and the following professional qualification			The status for satisfying independency (Remark)										Adjunct independent director in other public issued company (number of the companies)
	Lecturer or above level position in Dept of Business, Dept of Law, Financial Dept, Dept of Accounting or other relevant department required for company business of public or private university or college	Pass the National Examination and obtain the Certificate for Specific Career and Technology Professionals as Judge, Prosecutor, Lawyer, Accountant or other profession required for company business	Working experience involving Business Affairs, Legal Affairs, Financial Affairs, Accounting or required for company business	1	2	3	4	5	6	7	8	9	10	
Chuang, Kuo-Ching			✓				✓			✓	✓	✓	✓	0
Chuang, Hui-Huang			✓				✓	✓		✓	✓	✓	✓	0
Hsu, Jui-Hsia			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		0
Chen, Tu-Yen		✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Wang, Liang-En	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1
Lin, Shih-Hsun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0
Lin, Chen-Hsiang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0

Remark: If the directors and supervisors have satisfied the following conditions two years before being elected and during the position period, please put a check mark in the space under each condition.

1. Not as an employee of the company or its affiliated company.
2. Not as a director or supervisor of the company or its affiliated company (unless he/she is an independent director of our company, its mother company or who holds over 50% shares of the subsidiaries with direct or indirect voting rights)
3. Does not have issued stocks over 1% of the total amount or is not the stockholder as a natural person who is among the top 10 for shareholdings himself/herself, his/her spouse, minority children or in others' name
4. Not as the spouse, second-degree relatives, or direct blood relative among third-degree relatives of the previous three items.

5. Not as a director, supervisor or employee for juridical person shareholder who holds over 5% of the total issued shares of our company directly or as a director, supervisor or employee for juridical person shareholder who is among the top 5 of shareholding list.
6. Not as a director (managing director), supervisor (supervisor), manager or shareholder with over 5% shareholdings in the specific company or institute where our company has financial or business interaction
7. Not as a professional, who provides services or consulting services in Business Affairs, Legal Affairs, Financial Affairs, Accounting Affairs for our company or its affiliated companies, or an owner, a partner, director (managing director), supervisor (supervisor), manager or his/her spouse in sole proprietorship enterprise, partnership enterprise, company or institute unless he/she serve as the member of compensation committee to fulfill his/her duty in accordance with Article 7 of Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
8. Does not have spouse or second-degree relatives who are directors.
9. None of the matters stated in Article 30 of Company Act.
10. Not elected based on government agency, juristic person or as their representatives stated in Article 27 of Company Act.

B. Information of General Manager, Vice General Manager, Assistant Manager, Department Managers and Managers of Branch Offices:

May 4, 2020

Position	Name	Gender	Nationality	Date of inauguration	Shareholding		Current shareholding of spouse, minor children				Shareholding in the name of others	Major Education & Experiences	Current positions in our company and other companies	Spouse or second-degree relatives who are managers, directors or supervisors			Status of Manager's obtainin g Employee stock option certificates
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio				Number of Shares	Shareholding Ratio	Position	
General Manager	Chuang, Kuo-Ching	Male	Hong Kong	1998.1	(Remark 1)	(Remark 1)	-	-	-	-	Complete the President Class of Modern Enterprise Capital Operation in School of Management, Xiamen University Director of Jinjiang Zhonghe elementary school Vice President of Jinjiang Qingyang Chambers of Commerce Managing director of Jinjiang Shoe-making Association Managing director of Jinjiang Qingyang Overseas Community Association	Board of Director and General Manager of our company Executive Director of Jinjiang Chandra Shoes Industry Co. Ltd Super Light Shoe Soles Company Limited Director and General Manager of Super Light Shoe Soles Company Limited Director of Chandra Shoes Industry Co. Ltd Director of Chang Xing Investment Limited (BVI) and Director of Cheng Yue Investment Limited (BVI)	-	-	-	-	
Vice	Chuang,	Male	PRC	1998.1		(Remark	-	-	-	-	Complete the President Class of Tsing	Vice General Manager of Jinjiang Chandra	-	-	-	-	

Position	Name	Gender	Nationality	Date of inauguration	Shareholding		Current shareholding of spouse, minor children			Shareholding in the name of others	Major Education & Experiences	Current positions in our company and other companies	Spouse or second-degree relatives who are managers, directors or supervisors			Status of Manager's obtaining Employee stock option certificates
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares				Shareholding Ratio	Number of Shares	Shareholding Ratio	
General Manager	Hui-Huang				(Remark 2)						Hua University in Quanzhou Vice President of Chinese Hokkien Chamber of Commerce in Russia	Co. Ltd Supervisor of Jinjiang Chandra Shoes Industry Co. Ltd Director of Bai Cheng Investment Limited (BVI) Director of Victory New Materials Limited Company Director of Victory New Materials Limited Company				
Chief Financial Officer	Chen, Tu-Yen	Male	Australia	2011.2	-	-	-	-	-	-	Master's degree in Accounting in Australia Macquarie University Registered Accountant of Australia CPA, Registered Financial analyst of CFA and Passed the test for Financial Risk Manager FRM Accountant in Cabot Square Pty Ltd Tax Analyst in Falkiner Global Investors Limited	Chief Financial Officer and Director of Victory New Materials Limited Company	-	-	-	-

Position	Name	Gender	Nationality	Date of inauguration	Shareholding		Current shareholding of spouse, minor children			Shareholding in the name of others	Major Education & Experiences	Current positions in our company and other companies	Spouse or second-degree relatives who are managers, directors or supervisors			Status of Manager's obtaining Employee stock option certificates
					Number of Shares	Shareholding Ratio	Number of Shares	Shareholding Ratio	Number of Shares				Shareholding Ratio	Position	Name	
											Project Manager in Evalueserve Business Consulting Ltd. Company (Shanghai)					
Marketing Director	Chuang, Mei-Jung	Female	PRC	2003.1	-	-	-	-	-	-	Complete the President Class of MBA in Tsing Hua University	-	-	-	-	-
Research and Development Director	Li, Tsan-Sheng	Male	PRC	2009.7	-	-	-	-	-	-	Graduate from Department of Industrial Analysis in Fuzhou University Research and Development Engineer in Research and Development Department in Fujian Ching Luh Shoe Ltd. Company	-	-	-	-	-

Remark 1: Chuang, Kuo-Ching holds 3,029,104 shares of our company through Chang Xing Investment Limited with 100% ownership. These are accounted for 1.98% of our company shares. Also, he holds 27,501,175 shares of our company through Cheng Yue Investment Limited with 100% ownership. These are accounted for 17.98% of our company shares.

Remark 2: Chuang, Hui-Huang holds 1,653,065 shares of our company through Bai Cheng Investment Limited with 100% ownership, which are accounted for 1.08% of our company shares.

C. Salary Paid to directors, supervisors, general manager and vice general manager

1. Salary of directors (incl. independent directors):

Unit: NT\$ 1,000

Position	Name	Remuneration of director						Ratio of Total of the four items A, B, C and D accounted for net profit	Relevant remuneration obtained as an adjunct employee						Ratio of Total of the four items A, B, C, D, E, F and G accounted for net profit	Whether or obtained under remuneration from related parties	
		Salary (A)		Separation Pay & Pension (B)	Salary from distribution of surplus (C)		Expenses for performing business operations (D)		Salary, reward, special disbursement (E)	Separation Pay & Pension (F)	Employee bonus from the distribution of surplus (G)		Number of stocks obtained from employee stock option certificates (H)	Number of limited new stock obtained under employee rights			
		Our Company	All the Companies in the Financial Statements		Our Company	All the Companies in the Financial Statements					Our Company	All the Companies in the Financial Statements					Our Company

																						te m e n t s			th a n s u b s i d i a r i e s
Board of Director	Chuang, Kuo-Ching	322	322	-	-	-	-	-	-	0.09%	0.09%	-	7,513	-	-	-	-	-	-	-	-	-	0.09%	0.09%	-
Director	Chuang, Hui-Huang																								
Director	Hsu, Jui-Hsia																								
Director	Chen, Tu-Yen																								
Independent Director	Wang, Liang-En																								
Independent Director	Lin, Shih-Hsun																								
Independent Director	Lin, Chen-Hsiang																								

Remuneration Grading Table

Remuneration grading of each director paid by our company	Name of the director			
	Total amount of the first four items for remuneration (A+B+C+D)		Total amount of the first seven items for remuneration (A+B+C+D)	
	Our company (Remark 10)	All the Companies in the Financial Statements I	Our company	All the Companies in the Financial Statements J
Less than 2,000,000	Chuang, Kuo-Ching, Chuang, Hui-Huang, Chen, Tu-Yen, Lin, Chen-Hsiang, Lin, Shih-Hsun, Wang, Liang-En	Chuang, Kuo-Ching, Chuang, Hui-Huang, Chen, Tu-Yen, Lin, Chen-Hsiang, Lin, Shih-Hsun, Wang, Liang-En	Lin, Chen-Hsiang, Lin, Shih-Hsun, Wang, Liang-En	Lin, Chen-Hsiang, Lin, Shih-Hsun, Wang, Liang-En
2,000,000 (incl.) ~5,000,000 (not incl.)	-		Chuang, Kuo-Ching, Chuang, Hui-Huang, Chen, Tu-Yen	Chuang, Kuo-Ching, Chuang, Hui-Huang, Chen, Tu-Yen
5,000,000 (incl.) ~10,000,000 (not incl.)	-	-	-	-
10,000,000 (incl.) ~15,000,000 (not incl.)	-	-	-	-
15,000,000 (incl.) ~30,000,000 (not incl.)	-	-	-	-
30,000,000 (incl.) ~50,000,000 (not incl.)	-	-	-	-
50,000,000 (incl.) ~100,000,000 (not incl.)	-	-	-	-

100,000,000 or more	-	-	-	-
Total	7 people	7 people	7 people	7 people

2. Remuneration for supervisor: None.

3. Remuneration for general manager and vice general manager in recent years

(1) Remuneration for general manager and vice general manager

Remuneration for general manager and vice general manager

Unit: NT\$ 1,000

Position	Name	Salary (A)		Separation Pay & Pension (B)		Reward & special disbursement (C)		Employee bonus from distribution of surplus (D)				Ratio of Total of the four items A, B, C and D accounted for net profit (%)		Number of employee stock option certificates		Number of limited new stock obtained under employee rights		Whether obtained remuneration from re-investment business other than subsidiaries	
		Our Company	All the Companies in the Financial Statements	Our Company	All the Companies in the Financial Statements	Our Company	All the Companies in the Financial Statements	Our Company		All the Companies in the Financial Statements		Our Company	All the Companies in the Financial Statements	Our Company	All the Companies in the Financial Statements	Our Company	All the Companies in the Financial Statements		
								Amount of Cash Bonus	Amount of Stock Bonus	Amount of Cash Bonus	Amount of Stock Bonus								
General Manager	Chuang, Kuo-Ching	-	4,830	-	-	-	-	-	-	-	-	-	-	1.41%	-	-	-	-	-
Vice General	Chuang, Hui-Hua	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Manag er of Jinjian g Chandr a	ng																	
---	----	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

Remuneration Grading Table

Remuneration grading of general manager and vice general manager paid by our company	Name of general manager and vice general manager	
	Our Company	All the Companies in the Financial Statements
Less than 2,000,000	-	Chuang, Hui-Huang
2,000,000 (incl.) ~5,000,000 (not incl.)	-	Chuang, Kuo-Ching
5,000,000 (incl.) ~10,000,000 (not incl.)	--	-
10,000,000 (incl.) ~15,000,000 (not incl.)	-	-
15,000,000 (incl.) ~30,000,000 (not incl.)	-	-
30,000,000 (incl.) ~50,000,000 (not incl.)	-	-
50,000,000 (incl.) ~100,000,000 (not incl.)	-	-
100,000,000 or more	-	-
Total	-	2 persons

(2) Names of managers obtained the distribution of employee bonus and the status of the distribution

Unit: NT\$ 1,000

Items	Position	Name	Amount of stock bonus	Amount of cash bonus	Total	Ratio of total accounted for net profit (%)
Managers	General Manager	Chuang, Kuo-Ching	-	-	-	-
	Vice General Manager	Chuang, Hui-Huang				
	Chief Financial Officer	Chen, Tu-Yen				
	Marketing Director	Chuang, Mei-Jung				
	Research & Development Director	Li, Tsan-Sheng				
	Audit Manager	Wu, Chia-Hsun				

Remark: The total amount of salary for board of directors and general manager in Jinjiang Chandra is NT\$ 3,220,000.

D. Compare the ratio of total amount paid to the directors, supervisors, general managers and vice general managers of our company accounted for the net profit in the analysis of individuals or individual financial statement for our company and all companies in the consolidated statements in the past two years, separately and explain the policies, standards and combination for the paid remuneration and the program for the establishment of remuneration and business performance and their relationship with future risks:

Unit: NT\$ 1,000

	2018		2019	
	Our company	All companies	Our company	All companies
Directors	985	985	966	966
General Manager/Vice General Manager	-	4,925	-	4,830

The paid amounts accounted for net profit in 2018 and 2019 are 3.66% and 1.41%, separately. The remuneration of general manager and vice general manager is their salary, which is in accordance with relevant management regulations for company's salary and sufficient to commend the responsibilities and risks taken on them.

Our company did not establish Compensation Committee, however, all of our independent directors are served as members to review and assess the performance of the directors and managers periodically and the policies, systems, standards and structure of remuneration.

(III) Circumstances of company governance operation

A. Circumstances of the operation of the board of directors

1. We had held 9 board meetings from 2017 till the printing date. The attendances of the directors are as follows:

Position	Name	Number of actual attendances	Number of entrusted attendances	Actual attendance rate (%)	Remark
President	Chuang, Kuo-Ching	9	0	100	
Director	Chuang, Hui-Huang	9	0	100	
Director	Hsu, Jui-Hsia	9	0	100	
Director	Chen, Tu-Yen	9	0	100	
Independent Director	Wang, Liang-En	9	0	100	
Independent Director	Lin, Shih-Hsun	9	0	100	
Independent Director	Lin, Chen-Hsiang	9	0	100	

2. Other matters which should be noted

- (1) If there are matters listed in Article 14-3 of Securities and Exchange Act and resolutions made in board meeting, which are against or retained by independent directors and had records or written statements, things, such as dates of the board meeting, period type, content of the resolutions, the opinions from all the independent directors and how the company handled the opinion of the independent directors, should be stated clearly: none
- (2) If there are operations performed on the directors who are the stakeholders of some resolutions to fend off those resolutions, things, such as names of the directors, content of the resolutions, reasons to fend off and the status of voting: none
- (3) Assess the objectives and enforcement for the enhancement of professional competence of board of directors of the current year and in the recent years:
Our corporation has established Audit Committee and Compensation Committee additionally in Jan. 24, 2013 to achieve the objective of enhancing professional competence of board of directors. Our company will disclose relevant information on the designated website of the competent agency to raise the transparency of information in the future.

B. Circumstances of the operation of audit committee or the circumstances of supervisors attending board meetings:

1. We had held 9 committee meetings from 2017 till the printing date. The attendances of the committee members are as follows:

Position	Name	Number of actual attendances	Number of entrusted attendances	Actual attendance rate (%)	Remark
Independent Director	Wang, Liang-En	9	0	100	-
Independent Director	Lin, Shih-Hsun	9	0	100	-
Independent Director	Lin, Chen-Hsiang	9	0	100	-

2. Other matters which should be noted

(1) If there are matters listed in Article 14-5 of Securities and Exchange Act and resolutions which have not passed by Audit Committee but have the consent from over two-thirds of all the directors, things, such as dates of the board meeting, period type, content of the resolutions, the results of the resolution from the Audit Committee and how the company handled the opinion of the Audit Committee, should be stated clearly: none

(2) If there are operations performed on the independent directors who are the stakeholders of some resolutions to fend off those resolutions, things, such as names of the independent directors, content of the resolutions, reasons to fend off and the status of voting: none

(3) Communication between the independent directors and internal audit managers and accountants (communicate on matters regarding the financial and business status of the company, methods and results, etc.):

The audit unit of our company will provide the audit reports of the company's internal audit to the independent directors and report the newest audit status to the board of directors periodically. The independent directors can check the financial and business status of our company at any time. If they have questions about the relevant operations of our company, they can communicate with the managers of relevant unit immediately and review the improvements. As for the communication with the accountants, if the independent directors have any questions on the financial and business status of our company, they can communicate with the accountants of our company at any times and make guidance on the review and improvements to relevant units of our company.

C. Status of company governance and the differences compared to listed companies in terms of principle of governance practice and their reasons

Items	Situation			The differences compared to listed companies in terms of
	Yes	No	Summary of explanations	

				principle of governance practice and their reasons
<p>i. Structure of a company's equity and stockholders' equity</p> <p>(i) The way a company handled the suggestions from the shareholders or dispute problems</p> <p>(ii) The situation of a company getting hold of the main shareholders who controls the company substantially and the list of ultimate controllers among the main shareholders</p> <p>(iii) The method of a company establishing risk control mechanisms and fire walls with the affiliated companies</p>	✓		<p>(i) In Taiwan, our company has entrusted special stock agency to handle stock matters and established the spokesperson and the proxy of spokesperson to handle the suggestions from the shareholders.</p> <p>(ii) Have gotten hold of the list mentioned on the left already and have tracked periodically to follow the details</p> <p>(iii) Handled in accordance with the relevant internal control systems of our company</p>	No major differences
<p>ii. Composition and duties of the board of directors</p> <p>(i) The situation of the establishment of independent directors of a company</p> <p>(ii) Assess the independency of the certified accountants periodically</p>	✓		<p>(i) Our company installed three independent directors.</p> <p>(ii) The board of directors will assess the certified account periodically to ensure its independency.</p>	No major differences
<p>iii. Situation of building communication channel with the stakeholders</p>	✓		Stakeholders can contact our company at any time by the methods such as telephone, written form, fax and e-mail.	No major differences
<p>iv. Information open to public</p> <p>(i) Situations regarding a company set up websites to disclose the information about its</p>	✓		(i) Our company set up websites to disclose business information, however, we have not	No major differences

<p>financial business and company governance</p> <p>(ii) Other methods adopted by a company for information disclosure (such as set up English websites, designated person responsible for the collection and disclosure of company's information, implement the system of spokesperson, put the orientation of juridical person on company's websites, etc.)</p>			<p>opened the financial information to public yet. After the public issuance, we will apply or announce in accordance with relevant regulations.</p> <p>(ii) Company related problems should be responded by the spokesperson or the proxy of the spokesperson and the relevant business department, spokesperson and the proxy of spokesperson should be responsible for the collection and disclosure of company's information.</p>	
<p>v. The situation of the establishment of functional committees of a company such as nomination or compensation committee.</p>	<p>✓</p>		<p>Our company has installed Audit Committee and Compensation Committee, which are composed of all the independent directors. The committee has held meetings based on business needs already and made relevant records.</p>	<p>No major differences</p>
<p>vi. If a company has established corporate governance best practice principles in accordance with "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies", please state its operations and the difference between them:</p> <p>Our company has not established corporate governance best practice principles, but we have established Rules and Procedures of Board of Directors Meetings, Rules and Procedures of Shareholders' Meeting, Internal Control System, Rules for the Implementation of Internal Audit, Programs for Handling Gain or Disposal of Assets, Programs for Operations on Lending of Capital to Others, Regulations on Endorsements and Guarantees, etc., which are relevant to corporate governance. The board of directors have taken on the responsibilities given by the shareholders to guide the corporate business and supervise the management functions of the management effectively.</p>				
<p>vii. Other important information which is helpful to understand the situation of corporate governance (such as employee rights, employee care, relationship with the investors, relationship with the suppliers, the rights of the stakeholders, advanced studies taken by the directors and supervisors, risk management policies and standards for the balance of risks, enforcement of customers' policies, liability insurance purchased for the directors and supervisors of a company):</p>				

1. Our company and its subsidiaries at different places have established relevant employee welfare system in accordance with the law of that country to protect employee rights.
2. The management department of our company is responsible for handling employee rights and the relationship with the investors and they have arranged the trainings for the employees and the advanced studies for the directors periodically or on an irregular basis.
3. Relationship with the suppliers: Our company paid attention to the rationality of the procurement price. The procurement personnel have consulted, compared, negotiated with several suppliers on the unit price, specifications, payment conditions, delivery date and quality, etc. and compared them sufficiently before deciding the procurement suppliers.
4. Stakeholders: Our company has maintained clear and smooth communication channels with correspondent bank of our company, customers and supplies, etc. and respect and maintain their legal rights.

viii. If a company has corporate governance reports or corporate governance review report entrusted by other professional institutes, the following should be stated clearly: the results from self review (or entrusted review), main faults (or suggestions) and improvements:
Our company has not entrusted other professional institutes to conduct corporate governance review yet. However, we operate on the guidelines for corporate governance best practice principles and implemented the operation and promotion of corporate governance sufficiently.

D. If a company has installed Compensation Committee, its composition, duties and operations should be exposed.

1. The composition of Compensation Committee

Our company has installed Compensation Committee by the resolution of the board meeting on Jan. 24, 2013 in accordance with “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter” of ROC to complete corporate governance and complete the compensation system of the directors and managers of our company and established the Regulations of Compensation Committee for the benefit of compliance. The members of the Compensation Committee include Wang, Liang-En, Lin, Shih-Hsun, Lin, Chen-Hsiang, which are all independent directors.

2. Duties of the Compensation Committee

Compensation Committee should focus on being a kind manager and fulfill the following duties loyally and submit the proposed suggestions to the board of directors meeting for discussion:

- (1) Establish and review the performance assessment of the directors and managers periodically and the policies, systems, standards and structures of the remuneration.
- (2) Assess and establish the remuneration of the directors and managers periodically. The convenor should hold the meeting at least once a year and can hold the meeting at any time based on needs.

3. Information of the members of the Compensation Committee

Type of Identity (Remark 1)	Conditions Name	Whether he/she has five years or more work experience and the following professional qualification			The status for satisfying the independency (Remark 2)								Adjunct independent director in other public issued company (number of the companies)	3)Remark (Remark 3)	
		Lecturer or above level position in Dept of Business, Dept of Law, Financial Dept, Dept of Accounting or other relevant department required for company business of public or private university or college	Pass the National Examination and obtain the Certificate for Specific Career and Technology Professionals as Judge, Prosecutor, Lawyer, Accountant or other profession required for company business	Working experience involving Business Affairs, Legal Affairs, Financial Affairs, Accounting or required for company business	1	2	3	4	5	6	7	8			
Independent Director	Wang, Liang-En	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-

Independent Director	Lin, Shih-Hsun		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent Director	Lin, Chen-Hsia ng		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-

Remark 1: For the type of identity, please fill in director, independent director or others.

Remark 2: If the members have satisfied the following conditions two years before being elected and during the position period, please put a check mark in the space under each condition.

- (1) Not as an employee of the company or its affiliated company.
- (2) Not as a director or supervisor of the company or its affiliated company unless he/she is an independent director of our company, its mother company or who holds over 50% shares of the subsidiaries with direct or indirect voting rights
- (3) Does not have issued stocks over 1% of the total amount or is not the stockholder as a natural person who is among the top 10 for shareholdings himself/herself, his/her spouse, minority children or in others' name.
- (4) Not as the spouse, second-degree relatives, or direct blood relative among third-degree relatives of the previous three items.
- (5) Not as a director, supervisor or employee for juridical person shareholder who holds over 5% of the total issued shares of our company directly or as a director, supervisor or employee for juridical person shareholder who is among the top 5 of shareholding list.
- (6) Not as a director (managing director), supervisor (supervisor), manager or shareholder with over 5% shareholdings in the specific company or institute where our company has financial or business interaction
- (7) Not as a professional, who provides services or consulting services in Business Affairs, Legal Affairs, Financial Affairs, Accounting Affairs for our company or its affiliated companies, or an owner, a partner, director (managing director), supervisor (supervisor), manager or his/her spouse in sole proprietorship enterprise, partnership enterprise, company or institute.
- (8) None of the matters stated in Article 30 of Company Act.

Remark 3: If the type of identity of a member is a director, please explain whether it satisfies the regulations in Paragraph 4 of Article 6 of "Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter".

4. Circumstances of the Compensation Committee

- (1) The Compensation Committee of our company has 3 members.
- (2) Period of the members in this term: Jun. 26, 2019 to Jun. 9, 2020. The Compensation Committee has held a meeting in recent years. The qualification and attendance of the members are listed as follows:

Position	Name	Number of actual attendances	Number of entrusted attendances	Actual attendance rate (%)	Remark
Coordinator	Wang, Liang-En	3	0	100	-
Member	Lin, Shih-Hsun	3	0	100	-
Member	Lin, Chen-Hsiang	3	0	100	-

Other matters which should be noted:

- (1) If the board of directors do not adopt or revise the suggestions from the Compensation

Committee, these things should be stated clearly, such as date of the board meeting, type of period, content of the resolution, results of the resolution from the board meeting and how the company handled the suggestions from the Compensation Committee (e.g the compensation passed by the board of directors meeting is higher than the suggestions from the Compensation Committee, the differences and reasons should be stated clearly): none.

(2) If the members have opposed or retained and have records or written statements on some resolutions of the Compensation Committee, then these things should be stated clearly, such as the date of the compensation committee meeting, type of period, content of the resolutions, the opinions from all the members and how the opinions from the members being handled: none.

E. Circumstances of fulfilling social responsibility

Item	Operational status			Differences with corporate governance best practice principles for TWSE/TPEX listed companies and the reasons
	Yes	No	Summarized explanation	
<p>i. Implement the promotion of corporate governance</p> <p>(i) Circumstances of formulating corporate social responsibility policies or systems and reviewing the implementation performance.</p> <p>(ii) Circumstances of the establishment of specialized or adjunct units by a company for the promotion of corporate social responsibilities</p> <p>(iii) Circumstances of the following: corporate ethics educational trainings and promotion announcements for directors, supervisors and employees are held periodically by the company and employee performance review system is combined with it and also clear and effective award and disciplinary system is established.</p>	✓		<p>(i) Our company has not established corporate social responsibility policies or systems; however, our company will continue toward the directions such as implementing the promotion of company governance, developing sustainable environment, protecting social & public welfare and enhancing corporate social responsibility and disclosing information to fulfill social citizenship obligation and give back to society.</p> <p>(ii) Our company has not established specialized or adjunct units for social responsibilities, but we will start devoting ourselves to activities related to social responsibilities.</p> <p>(iii) Our company has held relevant trainings for the directors and employees to strengthen the knowledge of corporate governance for the members of the board of directors and enhanced the working skills of the employees to</p>	<p>Formulate in accordance with operational status and scale of the company.</p> <p>Establish the specialized or adjunct unit for the promotion of corporate social responsibilities based on the actual needs of the company</p> <p>No major differences.</p>

			pursue better business performance.	
<p>ii. Development of sustainable environment</p> <p>(i) Circumstances of a company devoted to the enhancement the utilization rate of all kinds of resources and the utilization of renewable materials which have a lower impact on the environment</p> <p>(ii) Circumstances of a company built appropriate environment management system based on its industrial characteristics</p> <p>(iii) Circumstances of a company established environment management responsible unit or personnel for the protection of environment</p> <p>(iv) Circumstances of a company paid attention to the impact on business activities by climate change and formulate strategies for energy saving, carbon reduction and reduction on greenhouse gases</p>	✓		<p>(i) Our company has devoted to digitalizing the forms and documents, etc. to reduce the impact on the environment.</p> <p>(ii) Our company has complete regulations on quality management, safety and health and environment protection, matched the audit standards of the competent agency and satisfied the expectations of the public to cooperate on giving back to the society.</p> <p>(iii) The administrative department of our company has been divided based on its duties. We have established specialized personnel to be responsible for the maintenance and promotion of environment, safety, health management to protect our working environment.</p> <p>(iv) We have paid attention to the temperature of our business places and offices and opening hours at all times and adjusted them appropriately to achieve the goal of energy saving and carbon reduction.</p>	<p>No major differences.</p> <p>No major differences.</p> <p>No major differences.</p> <p>No major differences.</p>
<p>iii. Protection of social & public welfare</p> <p>(i) Circumstances of a company complying to relevant labor laws, respecting international recognized principles of fundamental labor rights, protecting legal rights of the employees, establishing non-discriminatory recruit policies and installing appropriate management methods, programs and their implementations</p> <p>(ii) Circumstances of a company providing its employees a safe and healthy working</p>	✓		<p>(i) Our company has complied to relevant labor regulations and established all kinds of management systems and regulations such as human resource management regulation, working guidelines for operators, etc. to protect the legal rights of the employees.</p> <p>(ii) Our company has provided our employees a safe and healthy working environment in accordance with relevant regulations</p>	<p>No major differences.</p> <p>No major differences.</p>

<p>environment and implement safety and health education training on employees periodically.</p> <p>(iii) Circumstances of a company setting up communication mechanism for employees periodically and notifying the employees in a rational way about the major impacts from the business changes</p> <p>(iv) Circumstances of a company formulating and opening its policies on customers' rights and providing transparent and effective appealing programs on its products and services for the customers</p> <p>(v) Circumstances of a company cooperate with the suppliers to devote in the enhancement of corporate social responsibilities jointly</p> <p>(vi) Circumstances of a company participating in activities related to community development, charity and public welfare organization through business activities, donation of useful materials, corporate volunteering or other free professional services</p>		<p>such as safety guidelines and requirements of buildings and held education trainings and health examination for the employees.</p> <p>(iii) Our company has held communication activities for employees on an irregular basis and installed a bulletin board for the announcement of company policy and regulations on an irregular basis.</p> <p>(iv) Our company maintained good communication channels with our customers and provided effective handling programs for customer complaints.</p> <p>(v) Our company has selected the cooperative partners carefully for both sales suppliers or cooperative enterprises or groups for all kinds of activities to protect the environment and promote the safety and health of the employees jointly.</p> <p>(vi) Our company underwent donations of money or things for public welfare groups on an irregular basis or held public welfare activities to devote some energy to the society to fulfill social responsibilities practically.</p>	<p>No major differences.</p> <p>No major differences.</p> <p>No major differences.</p> <p>No major differences.</p>
<p>iv. Promotion of information disclosure</p> <p>(i) Method for a company to disclose relevant and reliable information related to corporate social responsibilities</p> <p>(ii) Circumstances of a company writing reports on corporate</p>	<p>✓</p>	<p>(i) After public issuance of our company, we will disclose relevant information about corporate social responsibilities on our annual reports or prospectus and disclose information related to social responsibilities on our company website.</p>	<p>We will continue to improve in the future.</p>

social responsibilities to disclose the promotion of corporate social responsibilities			(ii) Our company has not written the reports on corporate social responsibilities	We will continue to improve in the future.
v. If a company has established corporate social responsibly principles in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies”, please state clearly about its operation and the differences between them: Our company has not established “Corporate Social Responsibility Best Practice Principles” yet.				
vi. Other important information which is helpful to understand the circumstances about corporate social responsibilities (such as the system and measures adopted by the company towards eco-friendly, community participation, social contribution, social services, social & public welfare, customers’ rights, human rights, safety & health and other activities related to social responsibilities and the circumstances of their implementations)				
vii. If the product or corporate social responsibility report of a company has passed the audit standards from relevant verification institutes, please state them below in detail: Our company has obtained ISO9001 Certificates for Quality Control System in 2009; obtained Certificate for “National Green Credibility of Level AAA” in 2010; obtained “New Suppliers of Chinese Brands in 2010-2011 for City Innovation” and “10 best shoe material innovation enterprises in the West Side of the Straits” in 2011; obtained “Technology Innovation Demonstration Enterprise for Leather and Shoe Making Industries in China” in 2012.				

F. Circumstances of a company fulfilling ethical operation and adopted measures

Items	Operational status			Differences with corporate governance best practice principles for TWSE/TPEX listed companies and the reasons
	Yes	No	Summary of Explanations	
I. Establishment of ethical corporate management policies and plans	✓		(i) Our company has established “Ethical corporate management	No major differences.

<p>(i) Circumstances of a company implicating ethical corporate management policies in its regulations and public documents and the directors and management fulfilling the promises positively</p> <p>(ii) Circumstances of a company establishing methods against dishonest actions and the operational status of the operation programs, action guidelines and educational trainings within the plans</p> <p>(iii) Circumstances of a company establishing plans against dishonest actions and adopting protection measures against offering or taking bribery or providing illegal political party funding to business activities involving high risks of dishonest actions within the business scope</p>		<p>principles”, which stated clearly that the directors, managers, employees of our company or others with substantial control power cannot provide or receive any improper benefits directly or indirectly to avoid the loss of company’s rights and interests due to personal benefits by employees</p> <p>(ii) Our company has clearly established regulations on actions in “Ethical corporate management principles”. In addition, our company holds meetings for communications and announcements to employees in order for the stakeholders such as customers, suppliers, other external human resources to understand the ethical principles of the company to set up the corporate culture with integrity and announce it in public occasions and relevant places</p> <p>(iii) Our company has established internal control and internal audit system. The relevant audit activities are performed by audit unit. If major fraud or improper actions were found, they will be handled by internal regulations of the company.</p>	<p>No major differences.</p> <p>No major differences.</p>
<p>ii. Implementation of ethical corporate management</p> <p>(i) Circumstances of a company avoid having business activities involving</p>	<p>✓</p>	<p>(i) Our company will perform credit investigation before having transactions with important customers to avoid having transactions</p>	<p>No major differences.</p>

<p>transactions with people who has dishonest records and state the regulations on ethical actions in business contract clearly</p> <p>(ii) Circumstances of a company establishing specialized or adjunct units to promote corporate ethical corporate management and the supervising situations from the board of directors</p> <p>(iii) Operational status of a company establishing policies against conflict of interests and providing channels for appropriate statements</p> <p>(iv) Circumstances of a company fulfilling ethical corporate management to create effective accounting system, internal control system and the circumstances of internal audit personnel to perform auditing</p>		<p>with people who has dishonest records.</p> <p>(ii) Our company has not established specialized unit for the promotion of corporate ethical corporate management. We will assess the needs for establishment.</p> <p>(iii) If the employees have found actions against the regulations or ethical action principles, anyone can hand this matter to the specialists by appealing methods.</p> <p>(iv) Our company has established accounting system for the accounting personnel to comply with, built an internal control mechanism in accordance with the law and the actual status of the company and performed audit operations. The results will be reported to Audit Committee and the Board of Directors Meeting periodically.</p>	<p>No major differences.</p> <p>No major differences.</p> <p>No major differences.</p>
<p>iii. Circumstances of a company setting up channels for reporting and appealing systems for disciplinary of violating ethical corporate management regulations.</p>	<p>✓</p>	<p>(iii) If the employees have found actions against the regulations or ethical action principles, anyone can hand this matter to the specialists by appealing methods.</p>	<p>No major differences.</p>
<p>iv. Promote information disclosure</p> <p>(i) Circumstances of a company setting up websites to disclose information related to ethical corporate management.</p> <p>(ii) Methods adopted by a company to disclose information (such as setting up English website, designating specialized person responsible for the</p>	<p>✓</p>	<p>(i) Our company already have our own website. We will set up specialized zone in the company website to disclose the business status of the company for the reference of the investors.</p> <p>(ii) Our company has established specialized personnel responsible for the collection of company information and disclose it in Market Observation Post</p>	<p>No major differences.</p> <p>No major differences.</p>

collection and disclosure of company information and put it on the company website)			System.	
<p>v. If a company has established ethical corporate management principles in accordance with “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please state its operation and the differences between them clearly.</p> <p>Our company has established “Ethical corporate management principles” and operated and regulated all kinds of business activities in accordance with ethical corporate management principles. We also established three independent directors and an internal audit unit and installed Audit Committee. There has no major incidents occurred with the violation of ethical corporate management.</p>				
<p>vi. Other important information which is helpful for understanding the operational status of ethical corporate management (for example, a company is determined to promote ethical corporate management and policies to its business correspondents, invited them to participate in education training and reviewed and revised the established ethical corporate management principles):</p> <ol style="list-style-type: none"> 1. Be determined to promote ethical corporate management and policies to its business correspondents and invited them to participate in education training: <ol style="list-style-type: none"> (1) Our company reviews the quality of sales and supplies with sales customers and suppliers and promotes the corporate management idea of our company. (2) Our company will perform audit on new sales customers and procurement suppliers in accordance with “Regulations on management of customers’ credit” and “Regulations on management of suppliers”. Also, we will interview with the personnel in charge to understand the corporate management idea of that company and whether they conduct ethical corporate management. 2. Circumstances of reviewing and revising the established ethical corporate management principles: <p>Our company has clearly established regulations on actions in “Ethical corporate management principles”. In addition, our company holds meetings for communications and announcements to employees in order for the stakeholders such as customers, suppliers, other external human resources to understand the ethical principles of the company to set up the corporate culture with integrity and announce it in public occasions and relevant places.</p>				

G. If a company has established corporate governance principle and relevant regulations, the inquiry method should be disclosed:

Inquiry webpage:

<http://www.vnm.com.tw/index.php?option=module&lang=cht&task=pageinfo&id=245&index=1>

Our company has established corporate governance system and formulated complete internal control system and all kinds of management regulations in accordance with “Corporate

Governance Best Practice Principles for TWSE/TPEX Listed Companies”. The relevant regulations as follows:

1. Management of Operation of Board Meeting
2. Management of Operation of Shareholders’ Meeting
3. Regulations for the Election of Directors and Supervisors
4. Programs for Handling Gain or Disposal of Assets
Programs for Handling Transactions of Financial Derivatives
5. Programs for the Operation of Endorsements and Guarantees
Programs for Operations involving Lending of Capitals to Others
6. Programs for Management Operations against Inside Trading
7. Internal Control System and Internal Audit Rules for the Implementation of Programs for Handling Gain or Disposal of Assets

Internal Control System and Internal Audit Rules for the Implementation of Programs for Handling Transactions of Financial Derivatives

Internal Control System and Internal Audit Rules for the Implementation of Programs for Operations involving Lending of Capitals to Others

Internal Control System and Internal Audit Rules for the Implementation of Programs for the Operation of Endorsements and Guarantees

Internal Control System and Internal Audit Rules for the Implementation of Supervision of Subsidiaries

Internal Control System and Internal Audit Rules for the Implementation of Management Operations of Seals

H. Other important information which is sufficient to promote the understanding of the operational status of corporate governance

1. The directors of our company took advanced studies in accordance with regulations, participated in the discussion on corporate governance and relevant courses held by Securities & Futures Institute and implemented corporate governance operations.
2. The responsible unit for the resolutions of the board meeting sends personnel to attend relevant courses about corporate governance on an irregular basis and provide the newest legal information to the directors and managers at all times.
3. Our company has established “Programs for the Management Operations against Inside Trading” to create good mechanism for the treatment and disclosure of major internal information, avoid improper disclosure of the information and ensure the consistency and correctness of the information announced to the public.

I. The following matters should be disclosed for the operational status of the internal control system:

1. Statements for internal control system

Victory New Materials Limited Company

Statements for internal control system

Date: Mar. 3, 2019

The statement of the internal control system for our company and the subsidiaries of our company in 2019, which is based on the results from self-assessment is as follows:

- I. Our company knew that the creation, implementation and the maintenance of internal control system is the responsibility of the board of directors and the managers of our company. Hence, our company has established this system already. Its purpose is to provide rational guarantee for achieving the objectives of the effects and efficiency of our business operation (incl. profit, performance and the safety protection of assets, etc.), reliable, in-time, transparent report and the compliance to relevant regulations and relevant law.
- II. There are congenital limitations on the internal control system. No matter how perfect the design is, an effective internal control system can only provide rational guarantee on the achievement of the three objectives mentioned above; and the effectiveness of the internal control system may change due to the change in environment or situations. The internal control system of our company has installed self-monitor mechanism. Our company will adopt corrective actions if faults were recognized.
- III. Whether the design and enforcement of the internal control system of our company is effective is determined in accordance with the assessment items for the effectiveness of internal control system stipulated in “Regulations Governing Establishment of Internal Control Systems by Public Companies” (abbreviated as “Governing Regulations” hereunder) . The assessment items for internal control system adopted in “Governing Regulations” is based on the process of management control. The internal control system is divided into five elements: 1. Environment control 2. Risk assessment 3. Operation control 4. Information & Communication and 5. Monitor Operation. Each element includes several items. Please refer to the regulations of “Governing Regulations” for the aforementioned items.
- IV. Our company has adopted the aforementioned assessment items of internal control system to assess the effectiveness of the design and enforcement of internal control system.
- V. Based on the assessment results mentioned in the previous paragraph, it has been determined that the design and enforcement of the internal control system of our company (incl. the supervision and management of the subsidiaries), established on Dec. 31, 2016, including the level of achievement for the objectives set on business effects and efficiency, reliable, in-time, transparent report and the compliance with relevant regulations and relevant laws. Hence, rational guarantee can be made for the achievement of the aforementioned objectives.
- VI. Our company has entrusted accountants to audit the internal control system related to reliable report and the safety protection of assets (so that assets are not obtained, used or disposed under unauthorized conditions) during the listed period in the

program in accordance with the regulations in Article 37 of “Governing Regulations” to satisfy the regulations in Paragraph 1 of Article 4 of “Taiwan Stock Exchange Corporation Rules for Regulating Primary Listed Foreign Issuers”. As mentioned in the previous paragraph, its design and enforcement are effective and there is no impact on the recording, governing, summarizing and reporting of financial information nor does it affect the safety protection of assets, where major faults occurred as the assets are obtained, used or disposed under unauthorized conditions.

VII. The statement will become the main content of the annual report and prospectus of our company and will be open to public. If the aforementioned public content is false or has hidden illegal matters, then legal liabilities in Article 20, 32, 171 and 174 of Securities Exchange Act will be involved.

VIII. The statement is passed by the board of directors of our company on Mar. 24, 2020. The board meeting is attended by 7 directors. No one holds objection opinion. Everyone has agreed to the content of the statement.

Victory New Materials Limited
Company

Chairman of the Board & General
Manager: Chuang, Kuo-Ching

J. If there are circumstances such that company or its internal personnel is disciplined by law or the company has disciplined its internal personnel on violations against internal control system regulations, or main faults and improvements in recent years and till the printing date of the annual report: none

K. Important resolutions in shareholders’ meetings and board meetings in recent years and till the printing date of the annual report:

1. Important resolutions in shareholders’ meetings and temporal meetings in 2017 and their enforcements

(1) Important resolutions

Dates	Type of the meeting	Important resolutions
108/6/10	Regular shareholders’ meeting	i. Business reports and financial statements for 2018 ii. Distribution of surplus for 2018 iii. Amendment on Company Law iv. Capital increase by Surplus to issue new stocks

(2) Enforcements

Dates	Type of the meeting	Important resolutions
108/6/10	Regular shareholders' meeting	i. Business reports and financial statements for 2018: passed without objections ii. Distribution of surplus for 2018: passed without objections iii. Amendment on Company Law: passed without objections iv. Capital increase by Surplus to issue new stocks: passed without objections

2. Important resolutions in board meetings

Dates	Type of the meeting	Important resolutions
108/3/22	Board meeting	<ol style="list-style-type: none"> 1. It is planned to pass the company's internal control statement. 2. The proposed amendments to the company's articles of association. 3. Case of compensation for directors and supervisors and compensation for employees. 4. To adopt the company's 2017 annual business report and consolidated financial report. 5. It is planned to revise the Company's "Code of Corporate Governance Practices". 6. It is planned to revise the company's "Acquisition or Disposal of Assets Processing Standards (including Derivative Commodity Transaction Processing Procedures)". 7. It is planned to revise the company's "Procedure for Fund Loan and Others" and "Measures for Guarantee of Endorsement". 8. It is planned to revise the Company's "Rules of Procedure for Board Meetings". 9. It is proposed to amend the Company's "Rules of Procedure for Shareholders' Meetings". 10. Through the company's "communication between independent directors and internal audit supervisors and accountants". 11. It is stipulated that the 2019 shareholders' general meeting shall accept matters related to shareholders' proposals. 12. The third election of directors of the company and

Dates	Type of the meeting	Important resolutions
		<p>the nomination of candidates for directors (including independent directors) of the company.</p> <p>13. Set the time and place for the company's 2019 regular shareholders meeting.</p>
108/4/29	Board meeting	<p>1. Formulate the company's 2018 earnings distribution plan.</p> <p>2. The case of surplus capital increase to issue new shares.</p> <p>3. It is planned to adopt the consolidated financial statements for the first quarter of 2019.</p> <p>4. It is planned to continue to appoint Qinye Zhongxin as the company's 2019 visa accountant.</p> <p>5. Removal of restrictions on the prohibition of new directors and independent directors from competition.</p> <p>6. Acceptance of 1% shareholder proposal.</p>
108/6/22	Board meeting	<p>1. The case of electing the chairman.</p> <p>2. The case of setting up a salary and compensation committee.</p> <p>3. To formulate the case of the company's "standard operating procedures for handling the requests made by the directors".</p> <p>4. Revise the company's internal control plan.</p>
108/8/5	Board meeting	<p>1. Approved the consolidated financial statements for the first half of 2019.</p> <p>2. To formulate the base date of the company's 108-year cash dividend payment in the Republic of China.</p> <p>3. Through the subsidiary Jinjiang Chengchang Footwear Company Limited's</p>

Dates	Type of the meeting	Important resolutions
		outsourcing research and development project related improvement plan.
108/9/6	Board meeting	<ol style="list-style-type: none"> 1. Through the subsidiary Jinjiang Chengchang Footwear Company Limited's outsourcing research and development project related improvement plan. 2. The case of replacing a financial accountant with a visa accountant. 3. The exterior decoration of the newly built office building of the subsidiary Jinjiang Chengchang.
108/11/8	Board meeting	<ol style="list-style-type: none"> 1. Approve the consolidated financial statements for the first three quarters of 2019. 2. Through the company's "communication between independent directors and internal audit supervisors and accountants". 3. The interior decoration of the newly built office building of the subsidiary Jinjiang Chengchang. 4. Approved the company's 2020 budget. 5. Approved the company's audit plan for 2020.
109/3/24	Board meeting	<ol style="list-style-type: none"> 1. Apply to the Financial Supervision and Administration Commission to extend the 108-year financial report announcement deadline and submit it for discussion. 2. Pass the company's internal control statement. 3. To pass the amendment of the company's articles of association. 4. Cases of compensation for directors and supervisors and compensation for employees. 5. Revise the Company's "Rules of Procedure for Board

Dates	Type of the meeting	Important resolutions
		<p>Meetings".</p> <p>6. Amend the Company's "Rules of Procedure for Shareholders' Meetings".</p> <p>7. Revise the company's "integrity management operation procedures and behavior guidelines".</p> <p>8. Revise the company's "Integrity Management Code".</p> <p>9. Amend the company's "Corporate Governance Practice Code".</p> <p>10. Revise the company's "Code of Corporate Social Responsibility Practices".</p> <p>11. Revise the company's "Organizational Rules of Audit Committee".</p> <p>12. Revise the company's "Payment and Remuneration Committee Organization Rules".</p> <p>13. Through the company's "communication between independent directors and internal audit supervisors and accountants".</p> <p>14. It is stipulated that the 2020 shareholders' general meeting shall accept matters related to shareholders' proposals.</p> <p>15. Set the time and place for the 2020 regular shareholders meeting of the company.</p>
109/4/29	Board meeting	1. The company's 2019 annual business report and consolidated financial report.
109/5/13	Board meeting	<p>1. The company's 2019 earnings distribution plan.</p> <p>2. Approved the consolidated financial statements for the first quarter of 2020.</p> <p>3. Continue to appoint Deloitte as the 2020 visa accountant of the company.</p>

- M. If the directors or supervisors have different opinions with the important resolutions passed by board of directors and have record or written statements in recent years and till the printing date of the annual reports: none.
- N. The resignation of personnel (including the chairman of the board, general manager, accounting manager and internal audit manager, etc.) related to the financial statements in recent years and till the printing date of the annual report

(IV) Information about professional fees of the certified public accountant

Name of Accounting Firms	Name of the Accountant	Audit fee	Non-audit fee					Period of audit by the accountant	Remark
			System design	Company registration	Human resources	Others	Minor total		
Deloitte & Touche	Zhuo Mingxin	2,683,200	-	-	-	-	-	108/1/1-106/6/30	Others are internal control program audit
	Wu, Ke, Ko-Chang								
	Zhuo Mingxin	4,472,000				1,565,200	1,565,200	108/7/1-108/12/31	
	Shi Jingbin								

Professional fees grading table of the certified public accountant

		Audit fee	Non-audit fee (Remark)	Total
1	Lower than 2,000 thousand dollars		√	
2	2,000 thousand dollars (incl.) ~ 4,000 thousand dollars			
3	4,000 thousand dollars (incl.) ~ 6,000 thousand dollars			
4	6,000 thousand dollars (incl.) ~ 8,000 thousand dollars	√		

5	8,000 thousand dollars (incl.) ~ 10,000 thousand dollars			√
6	10,000 thousand dollars (incl.) or more			

Remark: audit fee of internal program

A. If the non-audit fee paid to certified public accountant, the accounting firm of the certified public accountant and its affiliated companies is over one-fourth of the audit fee, then the amount of audit and non-audit fee and the content of the non-audit services should be disclosed: none.

B. If you have changed the accounting firm and there is a decrease in audit fee between the previous year and the year that the accounting firm is changed, then the amount of audit fee before and after the change and the reasons should be disclosed: none.

C. If the audit fee this year is 15% less than the amount last year, then the difference between them, ratio and reasons should be disclosed: none.

(V) Information on change of accountant: none

(VI) If the board of director, general manager, the managers in charge of financial or accounting affairs of a company has worked in the accounting firm of the certified accountant or other affiliated companies in the recent years: none.

(VII) Circumstances of changes in stockholders' equity transfer and pledge for the directors, supervisors, managers and shareholders with shareholding ratio over 10% in recent years and till the printing date of the annual report. The relative person of the stockholders' equity transfer or pledge is a related person, then the name of the relative person, his/her relation with the company, directors, supervisors, shareholders with over 10% shareholdings, the number of obtained or pledged stock should be disclosed.

Position	Name	2017		Till Apt. 14, 2018	
		Increase or decrease in shareholdings	Increase or decrease in number of pledged stock	Increase or decrease in shareholdings	Increase or decrease in number of pledged stock
President	Chuang, Kuo-Ching	-	-	-	-
Director and big shareholder	Chang Xing Investment Limited Representative: Chuang, Kuo-Ching	(16,436,520)	-	(2,634,000)	-

Director and big shareholder	Cheng Yue Investment Limited Representative: Chuang, Kuo-Ching	-	-		-
Director	Bai Cheng Investment Limited Representative: Chuang, Hui-Huang	-	-	(1,087,000)	-
Director	CHEN TUYAN	-	-	-	-
Independent director	Wang, Liang-En	-	-	-	-
Independent director	Lin, Chen-Hsiang	-	-	-	-
Independent director	Lin, Shih-Hsun	-	-	-	-
Marketing Director	Chuang, Mei-Jung	-	-	-	-
Research and Development Director	Li, Tsan-Sheng	-	-	-	-
Audit Director	Wu, Chia-Hsun	-	-	-	-

(1) Information on stockholders' equity transfer:

There are no such circumstances that the relative person of stockholders' equity transfer for the directors, supervisors, managers and shareholders with over 10% shareholding ratio is a related person in the past two years and till the printing date of the annual report.

(2) Information on stockholders' equity pledge: none

(VIII) Information on the shareholders who are the top 10 on shareholding ratio list and are related persons, spouse or second-degree relative between them

May. 4, 2020

Name	Own shareholding		Current shareholding of spouse, minor children		Shareholding in the name of others		If the shareholders who are the top 10 on shareholding ratio list and are related persons, spouse or second-degree relative between them, state their names and relationship		Remark
	Number of stocks	Shareholding ratio	Number of stocks	Shareholding ratio	Number of stocks	Shareholding ratio	Name of the company (or name of the person)	Relationship	
Cheng Yue Investment Limited Representative: Chuang, Kuo-Ching	27,501,175	17.98%	-	-	-	-	Chang Xing Investment Limited	Same owner	
Wang Wenling	7,775,097	5.08%	-	-	-	-	-	-	
Chang Xing Investment Limited Representative: Chuang, Kuo-Ching	3,029,104	1.98%	-	-	-	-	Cheng Yue Investment Limited	Same owner	
Zhu Chenyihui	2,530,000	1.65%							
Bai Cheng Investment Limited Representative: Chuang, Hui-Huang	1,653,065	1.08%	-	-	-	-	-	-	
Citi Trust DFA Emerging Market Core Securities Investment Account	1,436,500	0.94%	-	-	-	-	-	-	
Lin Zhilong	1,373,000	0.90%	-	-	-	-	-	-	
Citi Trustee Dimension Emerging Markets Evaluation Fund Investment Account	1,285,687	0.84%	-	-	-	-	-	-	
Standard Chartered Trusts Small Core Capital in Digital Emerging Markets Overseas	1,096,200	0.72%	-	-	-	-	-	-	
Lin Shu'e	1,048,967	0.69%	-	-	-	-	-	-	

(IX) The number of shareholdings for the same re-investment business from the company, the directors, supervisors, managers and the direct or indirect control business of the company and the combination of the total shareholding ratio

May. 4, 2020

Re-investment business	Investment of our company		Investment of directors, supervisors, managers and the direct or indirect control business		Integrative investment	
	Number of stocks	Shareholding ratio (%)	Number of stocks	Shareholding ratio (%)	Number of stocks	Shareholding ratio (%)
Super Light	100 stocks	100	-	-	100 stocks	100
Chandra Shoe Industry Ltd Company	Remark	100	-	-	Remark	100
Jinjiang Chandra Shoes Industry Ltd. Company	Remark	100	-	-	Remark	100
Victory New Materials Limited Company	Remark	100	-	-	Remark	100

Remark: It belongs to the type of limited company, so there are no classified stock.

- A. If there are circumstances such that the subsidiaries of listed companies holding or disposing the stocks of our company and its settings of pledge equity in recent years and till the printing date of the annual report, then the source of the funds and the impact on the business consequences and financial status of the company should be stated: none.
- B. If there are cases mentioned in Article 185 of The Company Act or circumstances of transferring part of the business, research and development achievements to the subsidiaries in recent years and till the printing date of the annual report, then the circumstances of giving up the subscription of capital increase by cash of the subsidiaries, name of the subscribed relative person and its relationship with the company, directors, supervisors and the shareholders with over 10% shareholding ratio and the number of subscribed stocks should be disclosed.

There are no cases mentioned in Article 185 of The Company Act occurred in our company during recent years and till the printing date of the annual report. In addition, there are no such circumstances of transferring part of the business, research and development achievements to the subsidiaries, so this is not applicable.

IV. Funding Situations

(I) Source of Capital Stock

1. Formation of Capital Stock

Year/Month	Distribution pricing	Authorized stock		Paid-up capital		Remark		
		Number of shares	Amount	Number of shares	Amount	Source of Capital Stock	Share paid up by assets other than cash	Others
Aug., 2012	US\$0.0001	100,000,000	US\$10,000	1	US\$0.0001	New establishment	-	-
Oct. 2012	US\$0.0001	100,000,000	US\$10,000	33,606,767	US\$3,360.68	Shares paid by the shares of 8888 Acquisition	-	-
Nov., 2012	US\$0.0001	100,000,000	US\$10,000	33,966,667	US\$3,396.67	Increase capital with 359,000 shares by cash	-	-
Dec., 2012	NT\$10	200,000,000	NT\$2,000,000,000	60,000,000	NT\$600,000,000	Change the par value of the share	-	-
Mar., 2013	NT\$10	200,000,000	NT\$2,000,000,000	12,244,898	NT\$722,448,980	Increase capital with 12,244,898 shares by cash	-	-
Jan., 2014	NT\$136	200,000,000	NT\$2,000,000,000	8,100,000	NT\$803,448,980	Increase capital with 8,100,000 shares by cash	-	-
Aug., 2014	NT\$10	200,000,000	NT\$2,000,000,000	8,034,489	NT\$883,793,870	Increase capital by earnings		
Aug., 2015	NT\$10	200,000,000	NT\$2,000,000,000	26,513,816	NT\$1,148,932,031	Increase capital by earnings		
Aug., 2017	NT\$10	200,000,000	NT\$2,000,000,000	11,489,321	NT\$1,263,825,241	Increase capital by earnings		
Aug., 2018	NT\$10	200,000,000	NT\$2,000,000,000	12,638,253	NT\$1,390,207,770	Increase capital by earnings		
Aug., 2019	NT\$10	200,000,000	NT\$2,000,000,000	13,902,078	NT\$1,529,228,550	Increase capital by earnings		

2. Types of shares

May. 4, 2020

Types of shares	Authorized stock			R e m a r k
	Shares in circulation	Undistributed stocks	Total	
Comm on stock	152,922,855	47,077,145	200,000,000	-

(II) Structure of shareholders

May. 4, 2020 Unit: share

Structure of shareholders Amount	Government agencies	Financial institutions	Other legal persons	Individuals	Foreign institution and other people	Total
Number of people	-	-	111	23,578	53	23,741
Shareholding (shares)	-	-	20,411,770	1,036,671,350	47,798,859	1,529,228,550
Shareholding ratio (%)	-	-	1.33%	67.79%	30.88%	100.00%

Remark: Shareholding ratio of capital from China is 5.08%.

(III) Dispersion of recent stock

1. Common stock

May. 4, 2020 Unit: person; share; %

Shareholding level	Number of shareholders	Shareholding	Shareholding ratio
1 to 999	12,869	808,382	0.53%
1,000 to 5,000	7,112	16,164,085	10.57%
5,001 to 10,000	1,696	12,112,915	7.92%
10,001 to 15,000	767	9,431,203	6.17%
15,001 to 20,000	341	5,973,088	3.91%
20,001 to 30,000	352	8,532,618	5.58%
30,001 to 50,000	278	10,633,688	6.95%
50,001 to 100,000	182	12,632,134	8.26%
100,001 to 200,000	91	12,379,090	8.09%
200,001 to 400,000	27	7,188,172	4.70%
400,001 to 600,000	14	6,762,916	4.42%
600,001 to 800,000	1	610,937	0.40%
800,001 to 1,000,000	1	964,832	0.63%
Above 1,000,001	10	43,813,035	34.67%
Total	11,672	126,382,524	100.00%

(IV) List of main shareholders

Name of main shareholders	Shares	Shareholding (shares)	Shareholding ratio (%)
Cheng Yue Investment Limited Representative: Chuang, Kuo-Ching		27,501,175	17.98%
Wang Wenling		7,775,097	5.08%
Chang Xing Investment Limited Representative: Chuang, Kuo-Ching		3,029,104	1.98%
Zhu Chenyihui		2,530,000	1.65%
Bai Cheng Investment Limited Representative: Chuang, Hui-Huang		1,653,065	1.08%
Citi Trust DFA Emerging Market Core Securities Investment Account		1,436,500	0.94%
Lin Zhilong		1,373,000	0.90%
Citi Trustee Dimension Emerging Markets Evaluation Fund Investment Account		1,285,687	0.84%
Standard Chartered Trusts Small Core Capital in Digital Emerging Markets Overseas		1,096,200	0.72%
Lin Shu'e		1,048,967	0.69%

Nationality or domicile of directors, supervisors, managers and shareholders with over 10% shares

Type of identity	Name	Nationality or domicile
Board of Director and General Manager	Chuang, Kuo-Ching	Hong Kong
Director	Chuang, Hui-Huang	PRC
Director	Chen, Tu-Yen	Australia
Director	Hsu, Jui-Hsia	ROC
Independent Director	Wang, Liang-En	PRC
Independent Director	Lin, Chen-Hsiang	ROC
Independent Director	Lin, Shih-Hsun	ROC
Marketing Director	Chuang, Mei-Jung	PRC
Auditing Director	Wu, Chia-Hsun	PRC
Big shareholders with over 10% shareholding	Chang Xing Investment Limited	British Virgin Islands
Big shareholders with over 10% shareholding	Cheng Yue Investment Limited	British Virgin Islands

(V) The market price, net value, surplus, dividend of each stock in the past two years and the relevant information

Year \ Items		2019	2020	Till the first season of 2019
Market price of each stock	Highest	47.95	22.8	16.5
	Lowest	17.2	15.15	7.61
	Average	35.2	17.7	12.7
Net value of each stock	Before distribution	47.11	38.3	37.3
	After distribution	46.91	38.1	Not applicable
Earning per share	Weighted average number of stocks	130,595 thousand stocks	143,655 thousand stocks	152,923 thousand stocks
	Earning per share	0.97	(2.87)	(0.58)
Dividend of each stock	Cash dividend	0.20	-	Not applicable
	Stock grants	1.00	1.00	Not applicable
		-	-	Not applicable
	Cumulative dividend in arrears	-	-	Not applicable
Return on investment analysis	Price-to-Earning Ratio (Remark 1)	36.29	(6.17)	Not applicable
	Ratio of dividend (Remark 2)	176.00	-	Not applicable
	Cash dividend yield (Remark 3)	0.57%	-	Not applicable

Remark 1: Price-to-Earning Ratio = Average closing price of each stock in the current year/ Earning per share

Remark 2: Ratio of dividend = Average closing price of each stock in the current year/Cash dividend of each stock

Remark 3: Cash dividend yield = Cash dividend of each stock/ Average closing price of each stock in the current year

Remark 4: The board of directors in the subsidiary of our company, Jinjiang Chandra, has passed the resolution of not distributing the surplus of 2019 on Mar. 24, 2020.

Remark 5: The board of directors in the subsidiary of our company, Victory New Materials Limited Company, has passed the resolution of not distributing the surplus of 2019 on Mar. 24, 2020.

(VI) Dividend policy and enforcement of the company

1. Dividend policy established by The Company Law

According to Article 34 of The Company Law, the main regulations of the dividend policy are as follows:

Unless otherwise required by the Statute and the Applicable Public Company Rules, the Directors shall prepare a proposal for distribution of profits in accordance with the procedures and sequence set out below and submit such proposal for the Members' approval by an Ordinary Resolution at any general meeting should there be profits upon a final annual accounting of the Company for a fiscal year:

- (a) the proposal shall begin with the Company's Annual Net Income after tax;
- (b) offset its losses, if any, that have not been previously offset;
- (c) set aside a statutory capital reserve of 10% in accordance with the Applicable Public Company Rules except where the statutory surplus reserve has already reach the Company's paid-in capital;
- (d) set aside a special capital reserve in accordance with the Applicable Public Company Rules or as requested by the authorities in charge; and
- (e) after deducting the aforementioned amounts listed in subsection (a) to (d) from the profits of the current year, the distributable profits shall include the accumulated profits not distributed previously. A proposal for distribution of profits shall be submitted by the Directors for the Members' approval at a general meeting pursuant to the Applicable Public Company Rules prior to distribution. Distribution of Dividends may be made by way of cash dividends and/or stock dividends and the total amount of Dividends shall not be lower than 10% of the profits of the then current year after deducting the aforementioned amounts listed in subsection (a) to (d), and the percentage of cash dividends to be distributed shall not be less than 10% of the total amount of Dividends.

2. Situations of the proposed distribution of the dividends in this year

The distribution of surplus of our company in 2019 is passed by the board of directors on May 13, 2020. The relevant information related to the passed resolution on the distribution is as follows:

- (1) The total cash bonus for the shareholders is 0 dollars. The total stock dividend for the shareholders is 0 dollars.
- (2) Distributed employee bonus is 0 dollars; the distributed remuneration for directors and supervisors is 0 dollars.

All of the above are passed in the regular shareholders' meeting in 2020.

(VII) Impact on the business performance of our company and earning per share by the proposed stock grants during this shareholders' meeting

During this shareholders' meeting, we have proposed not to distribute stock grants, so this is not applicable.

(VIII) Employee bonus and the remuneration of directors and supervisors

1. The amount or scope of employee bonus and the remuneration of directors and supervisors mentioned in The Company Law:
Please refer to The Company Law mentioned above.
2. The base of the estimated employee bonus and the estimated remuneration of directors and supervisors in this period, stock calculation base of the distributed stock bonus and

the accounting treatment if the actual distributed amount is different from the estimated amount: none.

3. For the resolutions on the distribution of surplus is passed by the board of directors, which are not passed by the shareholders' meeting yet:

The board of directors of our company proposed the resolution with the distribution of 0 dollars for employee bonus and 0 dollars for the remuneration of directors and supervisors on Mar 27, 2020.

4. Employee remuneration from the distribution of stocks and its ratio accounted for the net profit after tax in the individuals or individual financial statement in this period and its ratio accounted for the total amount of employee bonus: not applicable (Our company did not distribute employee stock bonus).
5. If there is a difference between the actual distribution of employee bonus and the remuneration of directors and supervisors in the previous year (incl. the distributed number of stocks, amount and stock price) and the recognized employee bonus and the remuneration of directors and supervisors, then the difference, reasons and the treatments should be stated clearly: none

(IX) Stock bought back by our company: none

(X) Situations of corporate bond (incl. overseas corporate bond): none

(XI) Situations of preferred stock: none

(XII) Situations of participation in the issuance of overseas depositary receipt: none

(XIII) Situations of employee stock option certificates: none

(XIV) Situations of merger: none

(XV) Situations of the issuance of new stock by transferring other company's stock: none

(XVI) Enforcement of the application program for funds:

Analysis of the application program for funds from capital increase by cash, merger or the issuance of new stock by transferring other company's stock or issuance of corporate bond previously

Activities in recent years such as the merger within the corporation and the issuance of new stocks by transferring other company's stock are done due to the needs for becoming listed company in Taiwan by structure reorganization. These actions have no major negative effects to the shareholders' equity.

A. Content of the program

1. Program for capital increase: Our company expects to issue new stock with capital increase by cash and reduce the dependency of bank loan for the satisfying the requirement of long-term development, supplying business funds and satisfying the needs for future business scale by capital movement.
2. Source of the funds: Common stocks of 8,100 thousand stocks are issued with capital increase by cash. Each stock is 10 dollars. Each stock with 136 dollars is issued with premium. Total amount of money collected are 1,101,600 dollars.
3. Usage of the funds: Supply business funds and strengthen financial structure
4. Expected progress and benefit

Unit: NT\$ 1,000

Items of the program	Accomplished dates	Total amount of funds	Expected progress of the application of the funds
			First season of 2014
Supply business funds	January, 2014	1,101,600	1,101,600
Expected possible benefit	Strengthen the financial structure and reduce the expenditure on the interests.		
Treatment when the collected funds are insufficient	It will be covered by self-funds for the insufficient part.		
Usage of the funds and expected benefit when the collected funds increased	For the increased part compared between the collected funds and the expected, all will be used for supplying business funds. It is expected to strengthen our financial structure.		

B. Enforcement progress and benefit analysis

1. Enforcement

Unit: NT\$ 1,000

Items of the program	Total funds required	Enforcement		Expected progress of the application of funds
				First season of 2014
				Till the first season of 2014
Supply business funds	1,101,600	Amount of payment	Pre-determined	1,101,600
			Actual	1,101,600
		Enforcement progress	Pre-determined	100%
			Actual	100%

2. Benefit analysis: The capital increase by cash last time is used for supplying the business funds to reduce the expenditure for business need by bank loan. If the average interest of long-term loan is calculated by 7.15%, then our company can save the expenditure of NT 46, 332 thousand dollars for the interest every year.

V. Overview of Business Operations

(I) Content of the Business

A. Scope of the Business

(1) Main content of business operations

Our company is a Hi-Tech Technology Enterprise focused on the development of macromolecular materials and its applications on our products. Our products are mainly the soles of sport shoes and sole materials, including RB, EVA, EVO soles, one phase dual color dual hardness sole and EVO particles. Our main customers are famous Chinese sports brands, such as QiaoDan, ERKE, DEERWAY, Xtep and Anta.

(2) Percentage of sales revenue

Unit: NT\$ 1,000

Main products	2018		2019	
	Net revenue	(%) Percentage of sales revenue (%)	Net revenue	(%) Percentage of sales revenue (%)
RB sole	11,755	0.57	-	-
Single color sole	1,233,056	59.51	771,004	66.64
Dual color dual density sole	487,975	23.55	104,328	9.02
EVO particle	339,203	16.37	281,691	24.35
Total	2,071,989	100.00	1,157,023	100.00

(3) Current products of the company

Current products of the company include EVA, RB, EVO sole, one phase dual color dual density soles, finished shoes, rubber foam soles and self-developed EVO particles.

(4) Products planned to be developed

Our future development programs for new products will focus on raw materials and production processes:

① Raw materials

Our main focus is to upgrade EVA decomposable eco-friendly materials. After years of dedication, we have successfully developed EVA starch degradable materials and obtained a patent certificate on 03/13/2013 officially. Currently, our company has finished the upgrade of EVA degradable materials and adopted wood flour fiber for the replacement of starch in order to further reduce the costs.

② Production processes

Our company has started the first-stage development work of the one phase injection triple colors dual densities soles. Although lamination process can be omitted for our one phase dual colors dual densities soles, the sole can only have two colors. Hence, many customers still add rubber patch to enhance the beauty of the sole. The one phase triple colors sole can solve this difficulty to achieve three-color sole and save additional costs arise from the production process and patch procedure.

B. Overview of the Industry

(1) Current status and development of the industry

① Current status of the industry

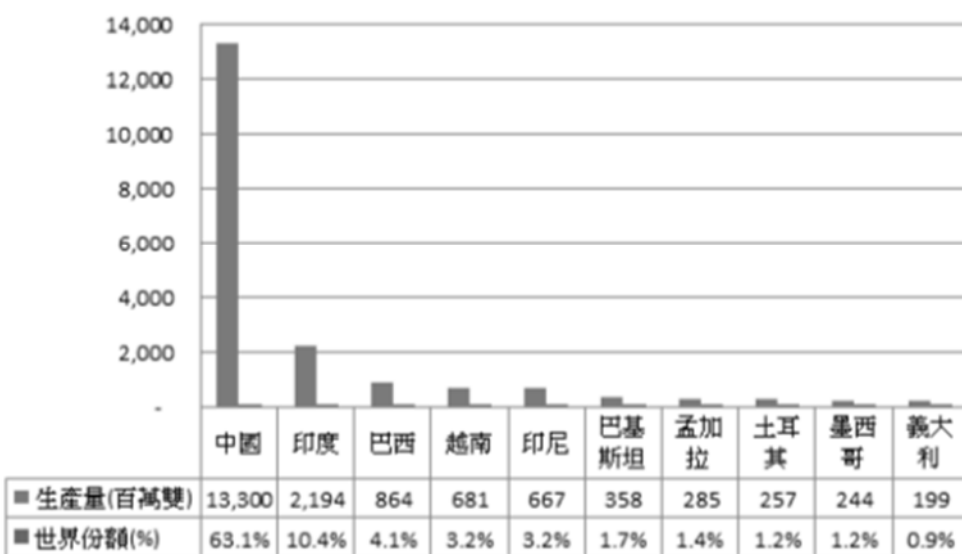
Global population and total output of shoe products show an increasing trend. The total output of global shoe industries is 2 times to 3 times of global population. The increase in the needs of shoe products is 2 times of the increase in population. Shoe-making industry is a classic labor-intensive industry. The requirement on technology and equipment of the industry is relatively low. The cost of labor power and raw materials accounted the most in the production cost of shoe-making industry. Hence, the production has been shifted to countries and areas with lower cost of labor. In the early stages, Italy, Spain and Portugal are the main shoe-making countries. Since 1970s, the focus of production is transferred from Europe to Asia, where the labor cost is lower, such as Japan, Korea and Taiwan, etc. Since 1980s, the focus of production is transferred once again to costal areas of China with even lower labor costs and richer resources along with Chinese economic reform. Currently, the main shoe-making countries around the world are China, India, Vietnam, Indonesia and Thailand, which are the ones in Asia, Italy, Spain and Portugal, which are the ones in Europe and Brazil, which is in South America. According to World Footwear 2013 Year Book, the number of shoes made in Asia is accounted for around 87% of the global amount; the total number of shoes export is accounted for 85% of the global amount. Therefore, Asia is the focus for the production and export of shoe-making.

② Development of the Industry

(A) Overview on the development of the global shoe industry market

Shoe-making industry is a classic labor-intensive industry in the development history of global shoe-making industry. The requirement on technology and equipment of the industry is relatively low. The cost of labor power and raw materials accounted the most in the production cost of shoe-making industry. Hence, the production has been shifted to countries and areas with lower cost of labor. In particular, the cost of leather and other raw materials is accounted for 50 to 60% and the labor cost is accounted for 10% to 15%. Sufficient land resources and good industry chain are the key factors for the development of the industry.

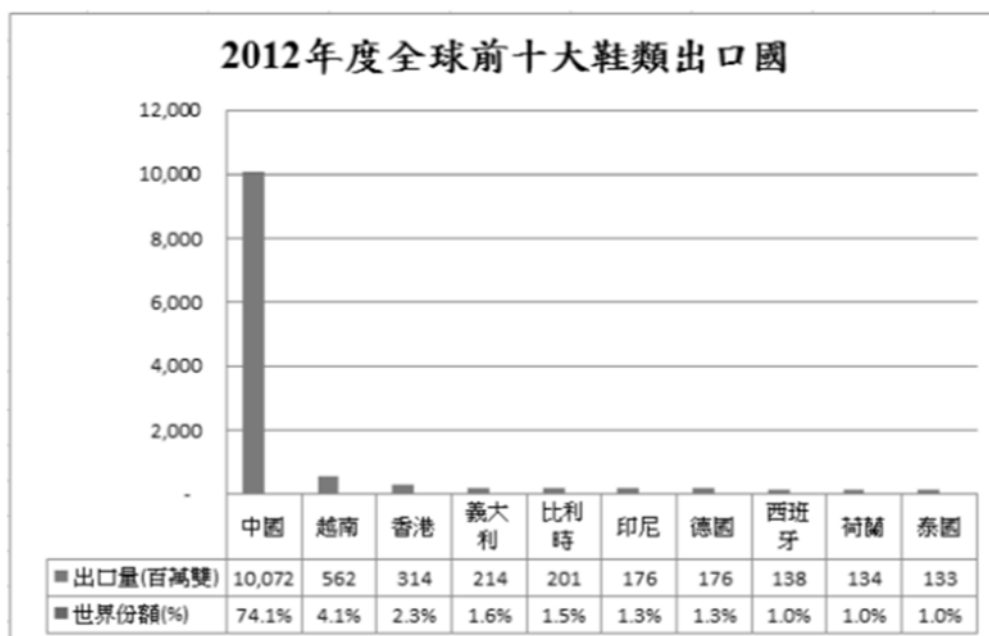
2012年度全球前十大鞋類生產國



2012 年度全球前十大鞋類生產國					Top 10 Shoe Production Countries in 2012				
生產量(百萬雙)		Production volume (million pairs)			世界份額(%)			Accounted for global amount (%)	
中國	印度	巴西	越南	印尼	巴基斯坦	孟加拉	土耳其	墨西哥	義大利
China	India	Brazil	Vietnam	Indonesia	Pakistan	Bangladesh	Turkey	Mexico	Italy

Source: World Footwear 2013 Year Book

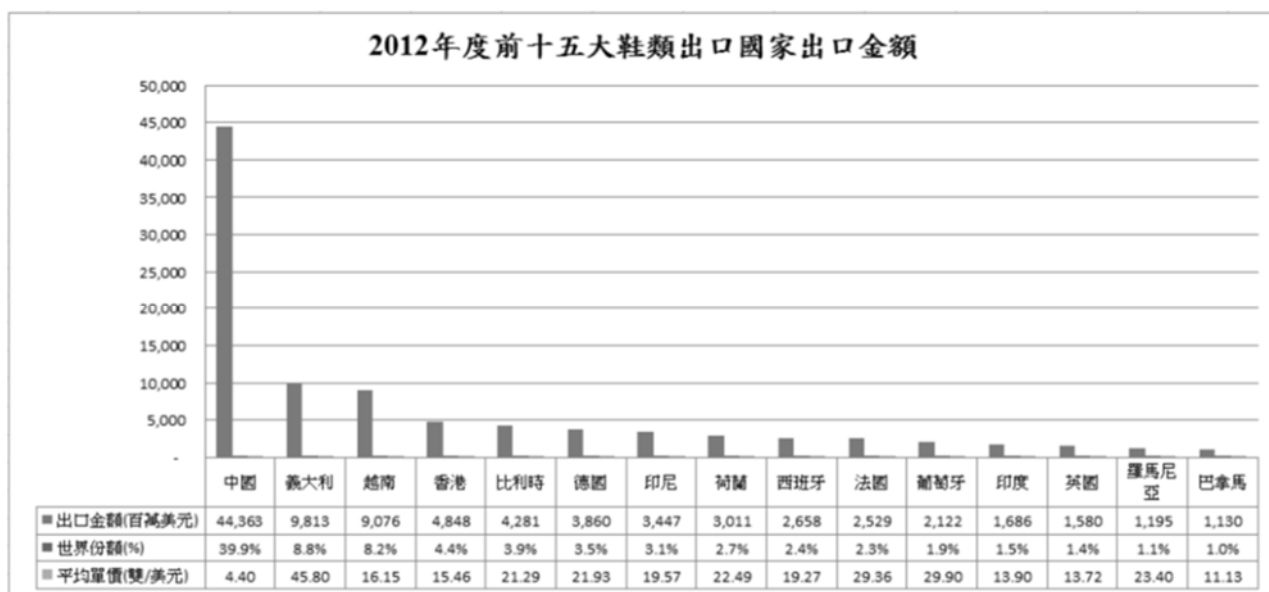
World Footwear 2013 Year Book has shown that the total amount of shoes export in Asia is accounted for 85%, of the global amount, the one in Europe is accounted for 11%, the one is North America is accounted for 2% and the ones the South America and Africa are accounted for 2% each in 2012. In the top 10 shoe export countries around the world in 2012, there are 5 of them in Asia. In particular, China has exported 10.072 billion pairs, which is accounted for 74.1% of the global export volume.



Source: World Footwear 2013 Year Book

2012 年度全球前十大鞋類出口國					Top 10 Shoe Export Countries in 2012				
出口量(百萬雙)			Export volume (million pairs)		世界份額(%)			Accounted for global amount (%)	
中國	越南	香港	義大利	比利時	印尼	德國	西班牙	荷蘭	泰國
China	Vietnam	Hong Kong	Italy	Belgium	Indonesia	Germany	Spain	Netherlands	Thailand

World Footwear 2013 Year Book has shown that 9 out of 15 countries around the world listed by the amount of shoe export comes from European countries and the average export price is higher than the one in Asia. The highest average export price is shown in Italy with US\$ 45.8 per pair. The second highest average export price is shown in Portugal with US\$ 29.9 per pair. The third is shown in France with US\$ 29.36 per pair. The first in the list of amounts of shoe export, China, has US\$4.436 billion of export amount, which is accounted for 39.9% of the global amount. However, the average export price is only US\$4.4 per pair. The export is concentrated in low-end market.



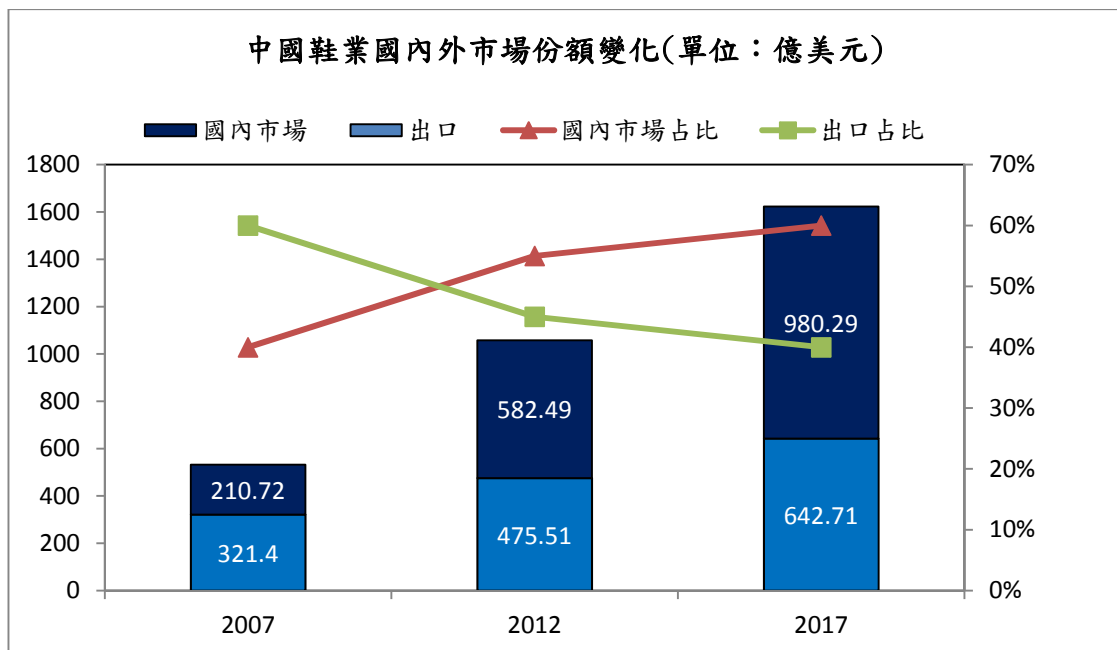
Source: World Footwear 2013 Year Book

2012 年度全球前十五大鞋類出口國家出口金額					Export Amount of Top 15 Shoe Export Countries in 2012				
出口金額(百萬美元)		Export amount (million US dollars)			世界份額(%)		Accounted for global amount (%)		
平均單價(雙/美元)		Average market price (pair/US dollars)							
中國	義大利	越南	香港	比利時	德國	印尼	荷蘭	西班牙	法國
China	Italy	Vietnam	Hong Kong	Belgium	Germany	Indonesia	Netherlands	Spain	France
葡萄牙	印度	英國	羅馬尼亞	巴拿馬					
Portugal	India	England	Romania	Panama					

(B) Overview on the development of the shoe industry market in China

China has become the largest shoe-making, shoe export and shoe consumption country in the world since 1996. According to World Footwear 2013 Year Book, China has made 13.3 billion pairs of shoes, which is accounted for 63.1% of the global amount in 2012; the number of shoes exported is over 10.072 billion pairs, which is accounted for 74.1% of the global amount in 2012; the amount of export is over US\$ 4.436 billion in 2012. Its export volume and amount are both ranked as the first around the world. As for China's consumption volume of shoes in 2012, more than 3.279 billion pairs are consumed, exceeding India, where 2.26 billion pairs are consumed. Hence, China is also the largest shoe consumption country in the world.

The main reasons that promotes the expansion of the shoe market in China are the policy, which encourages the development of the sports industry, the popularization of fitness concepts and the increase in consumption capability. China has released twelve Five-Year Plans in 2010, including "Five-Year Plan for Sports Industry" and "Five-Year Plan for Development of Public Sports". Its purpose is to promote the development of the sports industry. After the 2008 Beijing Olympics, China continues to hold various sports events, and people started to cultivate their awareness of health, exercise and fitness gradually. Consumption power of the customers has increased with the growth of disposable income. In 2011, the disposable income per capita of urban residents exceeds RMB 20,000, which is about 107% higher than that in 2005. According to the estimation by IBISWorld, China's compound annual growth rate (CAGR) for domestic demands of shoes from 2012 to 2017 can reach 10.9%, and the domestic market demand will reach US\$162.3 billion in 2017. The domestic market share of China will eventually exceed the export accounted ratio. The consumer market of sports shoes in China has great potential in the future.



Source : IBISWorld <Footwear Manufacturing in China> ; organized by SinoPac Securities (04/2013)

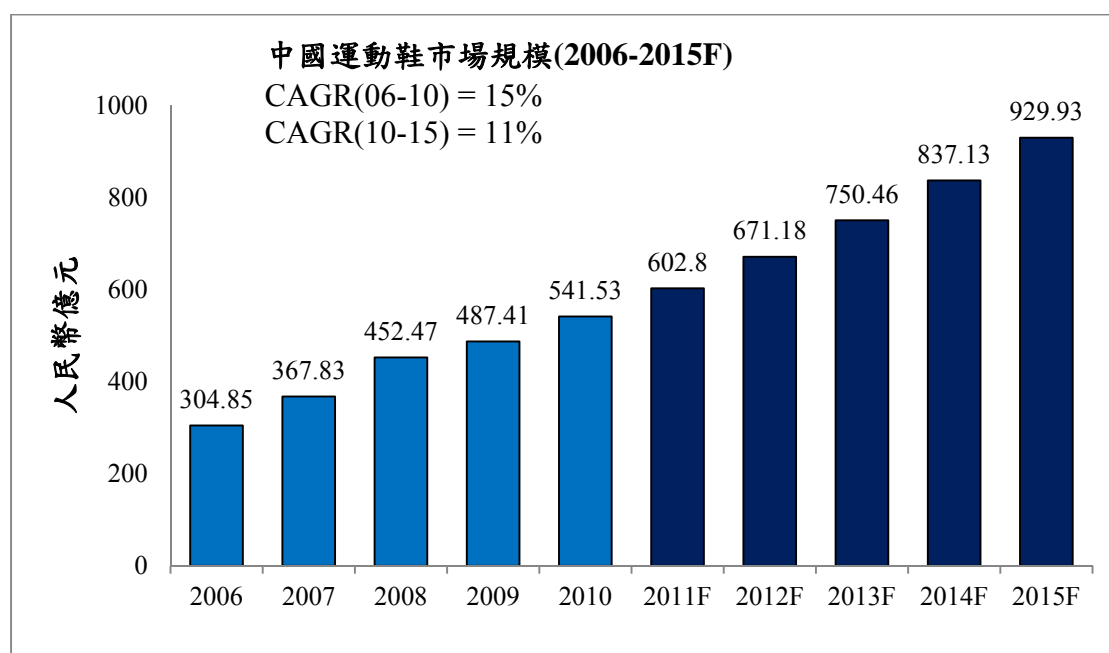
中國鞋業國內外市場份額變化(單位：億美元)			
Changes in Market shares of Shoe Industry in China in Domestic and Foreign Markets (100 million US dollars)			
國內市場	出口	國內市場占比	出口占比
Domestic Market	Export	Accounted ratio of domestic market	Accounted ratio of export

The four major shoe-making industry clusters in China are Zhejiang, Fujian, Guangdong (southeastern coastal areas), and Sichuan (inland). A group of support industry with a tight connection, including the design of shoe mold, the production of shoe materials and shoe-making, has formed in these provinces and creates a complete shoe-making industry chain. The position and business mode of the industry clusters in each province are different. So, they have a rather weak competitive relationship. In contrast, the sole companies within the same industry cluster in the same province have a stronger competitive relationship due to having the same target customers and similar business models.

Industry clusters	Zhejiang	Fujian	Guangdong	Sichuan
City for the Production	Wenzhou, Taizhou, etc.	Jinjiang, Quanzhou, Shishi	Dongguan, Huidong	Chengdu, Chongqing
Type of product	Mainly men's leather shoes, supplemented by casual shoes	Mainly sports shoes	Mainly women's shoes, OEM of sports shoes	Middle and lower end women's shoes and child shoes
Technical advantages	Mainly OEM; Part of them has established self-developed Chinese brands.	Mainly ODM; Few of them are OEM; Part of them has established self-developed Chinese brands, such as 361°, Anta, Xtep, Guireniao	Mainly OEM; Design and development of the stereotype of women's shoe, OEM of world-famous shoe brands, such as Nike, Adidas, Puma, Clarks	Mainly OEM; Smaller scale but flexible
Advantages of the supply chain	It has complete support of the industry, including the production base for cow leather, while stone sole, shoe decorations and shoe-making industry area. Its produced soles accounts for around 10 to 20% of the soles produced in China.	Jinjiang Chenyu owns good reputations by "one street shoe materials" and "China's city of shoes". Its produced soles accounts for 50% of the soles produced in China.	It has lots of companies focus on the production of shoe materials and shoe machinery. There are 60% of production volume of shoes for world-famous brands in Guangzhou. Its produced soles accounts for 30% of the soles produced in China.	Mainly performs patch OEM, custom making; suitable for small batch production of fashion products

Source: Fujian Shoe Industry Association; Guohai Securities Research Institute

According to the research data from the international market survey company, Euromonitor, (posted by ASKCI Consulting on May 2, 2012), the sports shoes market in China has reached RMB 54.153 billion in 2010, which is accounted for 23% of global sports shoes market. The compound annual growth rate (CAGR) of sports shoes market in China is 15% from 2006 to 2010. It is expected that the sports shoes market in China will grow at a rate of 11% of the compound annual growth rate (CAGR) in the next few years along with the development of economy and living standards in China. The market size is expected to reach RMB 92.993 billion by 2015.



Source: International Market Survey Company (Euromonitor); ASKCI Consulting (released on May 2, 2012)

中國運動鞋市場規模	Market scale of sports shoe market in China
人民幣億元	100 million RMB

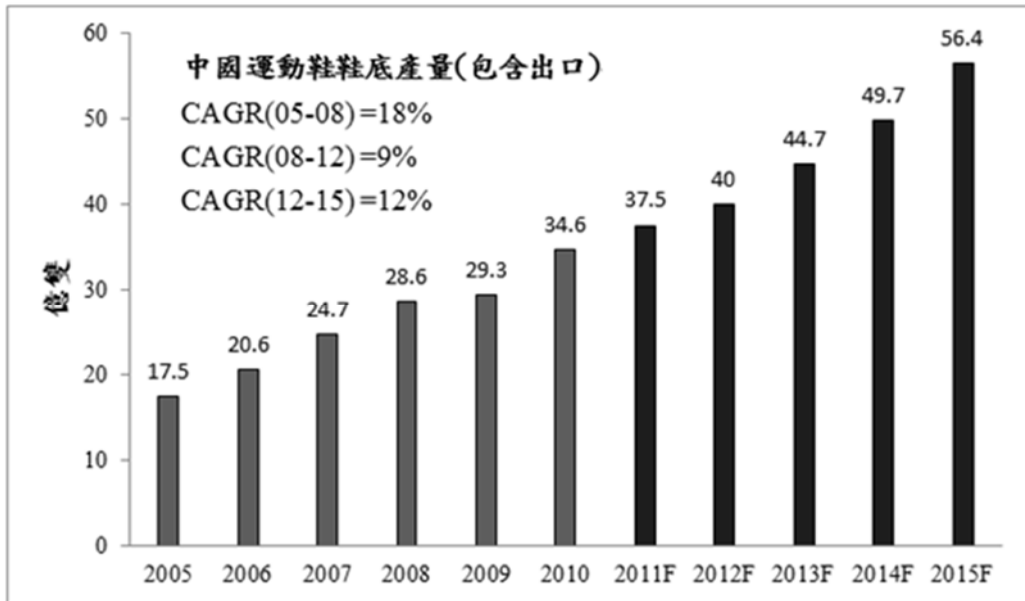
According to the report from ASKCI Consulting, the top 10 major companies in the sports shoes industry of China in 2012 were Li Ning Co., Ltd., Anta Sports Co., Ltd., China Dongxiang Sport (Group) Co., Ltd., Xtep International Holdings Co., Ltd. Peak Sporting Goods Co., Ltd., 361° International Co., Ltd., Hongxing Erke Sporting Goods Co., Ltd., Qingdao Double Star Celebrity Industrial Co., Ltd., Delhui Co., Ltd., and Fujian Xidelong Sporting Goods Co., Ltd. On the other hand, according to the report from Euromonitor, China's top 9 brands in the sporting goods market were Nike, Li Ning, Adidas, Anta, 361°, Kappa, Xtep, Peak and Decathlon. Five of which are domestic sports brand in China. Sports outfit and shoe industry are no longer governed by international sports brands in recent years, especially after the 2008 Beijing Olympics. More and more domestic sports brands in China have sponsored popular sports events and invited famous athletes from domestic and abroad for commercial endorsement. According to Frost & Sullivan's statistics, domestic sports brands in China are thriving and their market shares have increased from 41% in 2005 to 66% in 2010, changing monopoly market structure of international sports brand.

(C) Overview on the development of sports shoes in China

Fujian and Guangdong Province are the representatives of the sports shoe industry cluster currently. Among them, the total annual production volume of shoes made in the industry cluster with Fujian Province as its core is about 1.4 billion pairs, which is accounted for about 50% of the total domestic sports shoes output in China. Early in March 2001, China Leather and Footwear Research Institute, National Shoe Industry Information Center and Shoe Industry Productivity Promotion Center awarded the honorary title for Jinjiang City in Fujian Province as “China’s Shoes Capital” jointly. The Jinjiang area is known to produce sports shoes of domestic brand in China, such as Anta, Xtep and 361°, etc. with many soles production companies to support their production.

The production of sports shoes includes the production of soles, the cutting and stitching of surface materials of the shoes, and the assembly of soles and surface. The cost of soles is only accounted for about 25% of the cost of sports shoes. 50% of the appearance of sports shoes is determined by the style of soles while 70% of the functionality is determined by the sole. Therefore, research and development have high influence on sports shoes. Some sole production companies have strong research and development capabilities. In addition, they cooperate with the companies with domestic brands of sports shoes in China to develop high-tech sports shoes soles together.

The scale of the sports sole market in China is huge. Also, it has a potential for growth and develops fast. The market demand for sports shoe soles around the world in 2008 was about 7 billion pairs, 40% of which were produced in China, according to the data from China Leather and Footwear Research Institute. The compound annual growth rate (CAGR) of the production volume of sports shoe sole in China had reached 18% from 2005 to 2008; however, the growth rate of the orders declined slightly from 2008 to 2012, and the compound annual growth rate (CAGR) was about 9% due to the change in prosperity. As inventory of the brands had been exhausted gradually, the market slowly recovered starting from the end of 2013. The compound annual growth rate (CAGR) is expected to reach 12% from 2012 to 2015, and the output volume will reach 5.64 billion pairs in 2015.

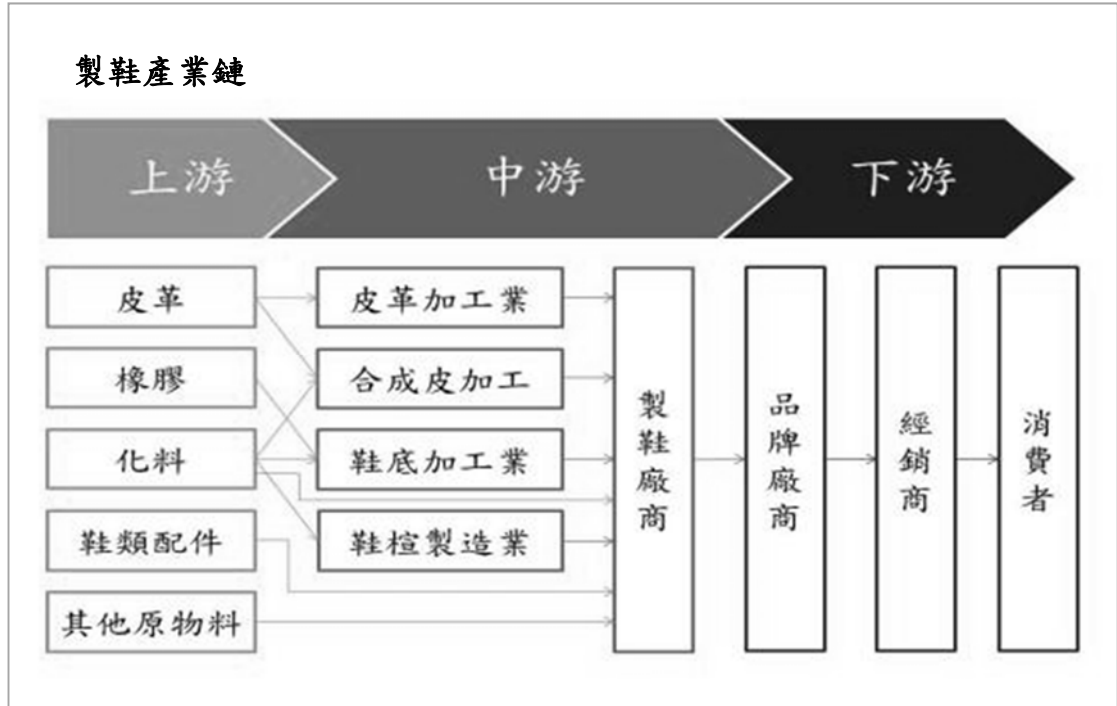


Source: China Leather and Shoe Industry Research Institute

中國運動鞋鞋底產量(包含出口)	Production volume of sports soles in China (including export)
億雙	100 million pairs

(2) The relationship between upstream, midstream and downstream of the industry

The upstream of sports shoe sole composed of chemical engineering industries, such as leather, plastic and rubber. Then, midstream OEM (Original Equipment Manufacturing) and ODM (Original Design Manufacturing) companies will perform the fabrication. The cost of leather and other raw materials is accounted for about 50 to 60% of total cost while the labor cost is accounted for about 10 to 15% of total cost. Next, the downstream shoe brand company will receive the finished products. Finally, the products will be sold to consumers through different channels such as dealers, agents, department stores and hypermarkets.



Source: Industry Bureau, Ministry of Economic Affairs

製鞋產業鏈	Shoe industry chain	皮革加工業	Leather processing industry
上游	Upstream	合成皮加工	Synthetic leather processing industry
中游	Midstream	鞋底加工業	Sole processing industry
下游	Downstream	鞋楦製造業	Shoe last manufacturing
皮革	Leather	製鞋廠商	Shoe-making companies
橡膠	Rubber	品牌廠商	Brand companies
化料	Chemical material	經銷商	Dealers
鞋類配件	Shoe accessories	消費者	Consumers
其他原物料	Other raw materials		

①Upstream

The upstream of the sports shoe sole is composed of chemical engineering industries such as leather, plastic and rubber, which are derivatives of black gold.

If there is a fluctuation in the international price of black gold, the production cost of the shoe-making industry will be affected. Sports shoe soles require large amount of natural and synthetic rubber. The current use of natural and synthetic rubber in the market is about 4 to 6. Natural rubber is collected from rubber trees, and it takes about 6 to 7 years from planting to harvesting. Thus, it takes a long time to wait for the rubber tree to grow if the supply of natural rubber is insufficient. Moreover, its growth is affected significantly by season. If the price of natural rubber increases, the demand for alternative synthetic rubber, which is obtained from the refinement of petroleum, will be increased. Hence, the price is influenced by the fluctuation of the price of black gold.

② Midstream

It is expected that EU will no longer extend the anti-dumping measures, which can increase the export from China to EU countries, since the termination of anti-dumping taxes starting from 2006 on the leather shoes exported from China to EU on March 2011. On the other hand, future trend of the shoe industries will exhibit the situations that bigger companies will be bigger while smaller companies will be smaller after the global economic distress resulted from the subprime mortgage crisis in 2008, and in addition, because of the Labor Contract Law implemented in China, the value increase of RMB and the raise in labor costs. The labor costs in the coastal area of China has increased, which resulted in the transfer of some companies to central or western parts of China or southeast Asia for a better investment environment and a place for shoe production with lower costs.

③ Downstream

Major brands in the sports shoes market has increased their product sales not only through their own stores, but also through all kinds of other channels, such as dealers, agents, department stores, hypermarkets or the recent hot network sales. International brands such as Nike and Adidas have outsourced their production to the shoe industry companies in China, kept none of their own production factories and shoe-making workers and devoted themselves into the operation of their brands and the development of new products; on the other hand, domestic brands in China, such as Li Ning, Anta, 361°, Kappa, Xtep or Peak, have started to find domestic OEM or ODM companies to develop and produce jointly. The market shares of domestic sports brands have increased from 41% in 2005 to 66% in 2010, which is changing the monopoly market structure of international sports brand, however, the competition of brands has turned white-heated. They not only have similar products but also use the same marketing methods by the endorsement of famous domestic and foreign athletes, which easily caused homogenization.

(3) Various development trends of the products

① Light-weight

The weight of sole takes a big part on the sports shoe. For the shoes to be light-weight, we need to reduce the weight of soles continuously so that the customers can wear more comfortable and light shoes.

② Eco-friendly

Our sports soles will focus on environment protection and the application of biodegradable and eco-friendly materials in the outsoles will be emphasized

along with the emphasis of environmental problems from all over the world.

③ Colorful and fashion

Colorful and diversified styles have become the trend and mainstream of the development of sports shoe soles along with the sports and casual fashion trends.

④ High functional

The primary problems to be solved for sports shoe soles are its features such as better anti-slippery, elasticity, flexibility and wear resistance.

⑤ Multi-functional

Pursue more additional functions after the fulfillment of fundamental functions, such as breathable, demoiseure, deodorization, anti sweat, and shockproof.

(4) Situations of product competition

The soles and particles produced by our company are used by well-known companies in China, which have high technical level and big added value. We have continued to perform development, innovate, and refine processes, so our products have rich competitiveness on the development and production side. The main reasons for our company to maintain its competitiveness are as follows:

① Our product line is wide. We not only produce soles for famous companies in China, but also develop and produce EVO particles ourselves.

② We have the ability of customized production. Shoe materials are produced in accordance with customer needs, so they can satisfy the needs of the customers.

③ We have development and innovation ability. Our company continues to develop new products and improve processes to make our product possessing originality and uniqueness.

C. Overview on Technology and Development

(1) Technology level of the operated business and the status of research & development

Our company has been focused on the development of various macromolecular materials since its establishment. We even collaborate with Material Science and Engineering College of Fuzhou University to create research and development center for highly functional macromolecular shoe materials and signed the industry-academia cooperation agreement with Material Engineering Department of Fucheng University Zhicheng College, which our company will serve as teaching and implementation base in 2010. We installed Dept of R&D, laboratory and Dept. of Technology under our scientific research center till May 2013. Hence, one-step process was formed from the development of materials, experiments and testings, technology transfer to large-scale production. The structure and main functions of our scientific research center are as follows:



科研中心	研發部	實驗部	技術部
Scientific research center	Dept. of R&D	Laboratory	Dept. of Technology

The work tasks of each department are listed as follows:

Name of the Department	Work Tasks
Dept. of R&D	<ol style="list-style-type: none"> 1. Responsible for formulating annual plastic and rubber development plans in accordance with the marketing strategy of the company and organizing surveys, collecting similar domestic and foreign products, the dynamics of the technology of our competitors and the market demands. 2. Set up the development directions of products based on the marketing plans of products and materials and the results of market survey and the demands from customers, perform validation on feasibility and organize implementation. 3. Perform training on the usage of new materials and introduction of its functions to relevant departments. 4. Responsible for the application of material patent and the verification of the achievements.

Name of the Department	Work Tasks
Laboratory	<ol style="list-style-type: none"> 1. Responsible for all kinds of management systems of the laboratories and the formulation of test regulations and its completeness. 2. Follow the operation regulations and requirements of standards to perform tests on all the in-factory raw materials, supplementary materials, parts of the packaging materials, finished products, intermediate products strictly; work hard to make the original inspection records; calculate the inspection results correctly. 3. Responsible for the inspection of the laboratory, and the selection, procurement, installation, testing and maintenance of instrumentation and equipment; perform inspection, repair and maintenance periodically
Dept. of Technology	<ol style="list-style-type: none"> 1. Responsible for the testing of molds and sample production process; ensure sufficient knowledge about the needs of customers in material use, structure and quality before production. 2. Responsible for the production of samples in collaboration with Dept. of Manufacture before mass production of new products; ensure to provide the production of samples with the complete technical data to Dept. of Manufacture. 3. Proposed the change in product structure, crafts, material selection, specifications and size based on the needs of quality, efficiency and cost from different departments.

(2) Research and development personnel and their educational background

Educational Background	Year		2017		2018		2019	
	Number of people	%	Number of people	%	Number of people	%	Number of people	%
Master's degree (or above)	3	10	2	7	2	6		
Bachelor's degree	6	19	6	21	6	17		
High school diploma (or below)	22	71	21	72	27	77		
Total	31	100	29	100	35	100		

(3) Research and development expenses devoted each year for the past three years

Unit: NT\$ 1,000

Items \ Year	2017	2018	2019
Research and development expenses	28,305	115,564	144,360
Operating revenue	115,564	144,360	81,500
Ratio accounted for operating revenue (%)	3,406,504	2,071,989	1,157,023

(4) Technology or products successfully developed in the past three years

Year	Name of the Product	Description of Content
2010	EVO rubber and plastic composite materials with wear resistance	EVO material is lighter, softer, bears more wear resistance than the traditional EVA shoe material.
2011	Dual color dual hardness sole	This production craft is one phase injection formation, which does not require lamination. It reduces the man power required greatly compared to traditional sole production, has avoided the pollution of environment and injury to human by glue and treatment reagents and shortens the production process of sole production.
	EVA/starch degradable biomaterials	The material has conquered the faults for traditional EVA materials, which are hard to degrade and hard to recycle. It can be used in eco-friendly products in the future.
2012	Foaming rubber sole (rubber and plastic)	The foaming rubber sole can replace the traditional rubber sole. The characteristics of the foaming rubber, such as wear resistance and anti-slippery, are the same as the traditional rubber while the foaming rubber only has around half of the specific weights compared to traditional rubber. Its production process has revolutionized the vulcanization process of traditional RB rubber and used foaming injection method instead, which saves a lot of man power.

2013	EVA/wood flour degradable biomaterials	Upgrade the raw material of EVA/starch degradable biomaterials. By replacing starch with the fiber of plants such as wood flour, the costs can be reduced furthermore.
------	---	--

D. Long-term and short-term business development plans

(1) Short-term development plans

- ① Install new machinery equipment and expand production lines; enhance production capability by replacing some manual parts with automatic equipment to reduce labor cost.
- ② Perform tests and refinement on the production lines, strengthen management, enhance production efficiency maintain the yield and originality of products.
- ③ Enhance the sales in all areas and consolidate the market share of our products in accordance with the expansion of China's domestic demand market.
- ④ Maintain good relationship with the existing customers and companies, maintain the stability of the sources of raw materials; continue the customization on product production to satisfy the needs of customers with product diversity.

(2) Long-term development plans

- ① Assess the future development trend of all areas, expand the factories of our company, expand business scales and continue the development of domestic customers in China and international customers, expand the business scope of our company, enhance the market shares of our products.
- ② Continue the research on developing new products, obtain the latest concepts and knowledge with the collaboration with the academia, combine theory and knowledge with the development and innovation of products, enhance the product value of our company.
- ③ Strengthen the financial structure and business organization of our company to enhance the competitiveness of our company.

(II) Overview of market and sales

A. Market analysis

(1) Sales areas of major products

Our products are mainly sold in the China market currently. Although our products are not exported directly, some products can still access the foreign market through business expansion of downstream traders. The foreign companies have gradually regarded this area as an important source of procurement with gradual completion in the construction of local industrial chain, which helps our products entering the international market.

(2) Market share

According to the report from China Leather and Footwear Industry Research Institute, it is estimated that the output of sports soles in 2012 was about 4 billion pairs, in which, 22,866,000 pairs were sold by Jinjiang Chandra in 2012, and the corresponding market share was about 0.57%. In recent years, our company has successively developed new products, such as EVO material, EVA decomposable material, one-phase two-color double-density sole, etc. Moreover, we continuously increased the operation scale. The company has great growth potential regarding the

current market share.

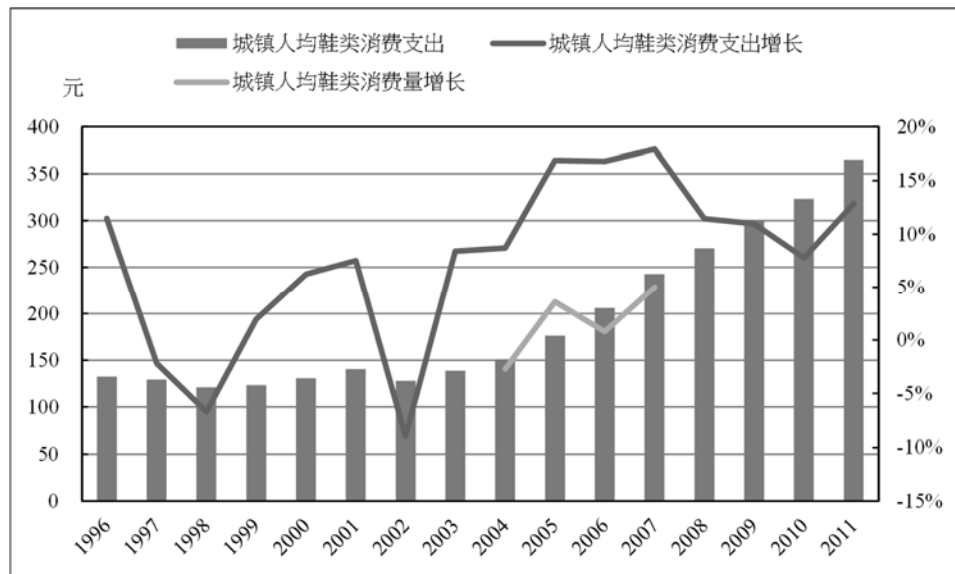
(3) Supply and demand status and growth of market in the future

① Potential changes in market demand

Sports goods including sports shoes, etc. highly grew by around 30% annually along with the economic growth in mainland China before 2010. The market of sports goods was even pushed to a higher milestone in 2008 when the Olympic Games were held. Major sports brands were optimistic about the market. They also expand their stores to a larger scale each year, and eventually caused the companies to overstock under overestimation of the market. Chinese brands of sporting goods, such as Li Ning, Anta and Pick, etc., began to show decline in performance and profit decline or slower growth in 2012.

Sporting goods companies entered a period of comprehensive adjustment in 2011. All major companies have taken the alleviation of inventory pressure at the retail end and the exhaustion of inventory as their major working objectives. Therefore, various companies have carried out discount promotions to varying degrees. At the same time, they no longer irrationally expand their stores, instead, they use the resources to increase the average sales volume at the retail end, close the low-efficiency storefronts, and expand or install better retail stores.

Individual well-known sports brands have begun to grow starting from the second-half of 2013 after a period of inventory consumption. Orders for Anta 2014 Q1 order fair began to grow, which is the first growth of Anta since the 2012 Q3 order fair, in August 2013. Orders for the Anta 2014 Q2 order fair also grew with a high number of sales in October 2014 successively. From the results, we can deduce that the inventory of the downstream footwear industry has been exhausted to a certain extent.



Source: China National Bureau of Statistics

城镇人均鞋类消费支出	Shoe consumption expenditure in the cities and towns per capita
城镇人均鞋类消费支出增长	Increase in shoe consumption expenditure in the cities and towns per capita
城镇人均鞋类消费量增长	Increase in shoe consumption volume in the cities and towns per capita

China is the largest footwear market in the world and the second largest sports shoes market in the world. The footwear consumption expenditure is still growing in recent years based on China's national statistics. Urbanization in central and western provinces has been promoted, and income in third and fourth-tier cities has been raised along with the development of economy and the improvement of living standards in China. China's sports footwear market still has potential for development in the long run. Sole companies are facing operational challenges when facing the adjustment of downstream customers. It is required for the companies to adapt to an order mode with smaller number, larger batches and larger models in one order. On the other hand, they have to face the fact that the differences in sporting goods outfits have appeared as the consumer physiology of consumers in China have become matured gradually. Sporting goods companies need to introduce new products constantly in order to satisfy the needs of

consumers. It is an important business issue for the companies to master the orders of new-style products from the upgrade of their own technology.

② Potential supply changes in the market

There are thousands of sports shoe-making companies in Jinjiang City. Competition among them is inevitable while the main reason comes from the competition in management and technology. The major sports brands are emphasizing on product differentiation with the rise of consumer awareness gradually. Sole companies are bound to face consolidation and elimination in the future. In particular, excessive low-end products flow in the market while the production capacity of high-quality and high-end products is insufficient currently. Therefore, it is expected that we can grasp market opportunities and develop rapidly with the emphasis on technology innovation and R&D capabilities. Major brands have begun to screen the sole suppliers in recent years when facing market changes. They have reduced the number of suppliers and concentrated on the orders from a small number of companies with better added value. Hence, there will be a trend where the companies with more product innovation capabilities are able to expand their scales in the future.

③ Future market growth

China is the largest consumer of footwear, and the second largest sport shoes consumer in the world. However, the top three sports shoes consumers in 2009 are 4.42 pairs for American, 3.89 pairs for British and the 3.75 pairs for German while only 0.64 pairs for Chinese in terms of sports shoes consumption per capita, which has a huge difference with other countries, according to Frost & Sullivan's statistics. However, the sports shoe market in China has great potential for development with the encouragement of relevant policies and the improvement of living standards.

According to the research data from the international market survey company, Euromonitor, (posted by ASKCI Consulting on May 2, 2012), the sports shoes market in China has reached RMB 54.153 billion in 2010, which is accounted for 23% of global sports shoes market. The compound annual growth rate (CAGR) of sports shoes market in China is 15% from 2006 to 2010. It is expected that the sports shoes market in China will grow at a rate of 11% of the compound annual growth rate (CAGR) in the next few years along with the development of economy and living standards in China. The market size is expected to reach RMB 92.993 billion by 2015.

Competition niche

① Patented products with market differentiation

Our company develops EVO materials and EVO one phase dual color dual densities soles ourselves. We are the leader in this field and have successfully avoided the competition from market homogenization. EVO materials are lighter, softer and more wear-resistant than traditional EVA material. EVO material can replace traditional EVA and rubber soles and reduce the cost of raw materials. EVO material has been given high praise in the market currently. Our company produces one phase dual color dual densities soles currently, which is the first creator of this product. The production process is performed by one phase injection formation without lamination. It reduces the man power required greatly compared to traditional sole production, has avoided the pollution of environment and injury to human by glue and treatment reagents and shortens the production process of sole production. Big brands such as Jordan, Anta and Xtep have adopted the products. The patented products have excellent marketing advantages.

② The basis of famous customers

Our main customers include Jordan, Xtep, Delphi and Hongxing Erke, etc., which are well-known in China market and have a certain market share. They also provide marketing basis for our company in the wide consumption market in China indirectly.

③ It has decomposable materials, which allows the access to international brand market

The material possesses good characteristics of traditional EVA. It is also a new eco-friendly degradable material with low cost which can be decomposed into water and carbon dioxide when being buried in soil or waste heap so that environment pollution is reduced. Our company has prepared in advance and is ready to respond to the increasing international awareness of environmental protection. It is expected to become another driving force for business growth in the future.

(5) Beneficial and disadvantage factors of development prospect and the countermeasures

① Beneficial factors

a. Good external economic factors

In recent years, China's GDP has shown a high increase. According to China's national statistics, the total retail sales of consumer goods in 2012 was 2103.7 billion RMB with an increase of 14.3% compared to the previous year and an actual increase of 12.1% after the deduction of price factors. According to the statistics performed at operation places, the retail sales of consumer goods in cities and towns was 1824.14 billion RMB with an increase of 14.3%; while the retail sales of consumer goods in the countryside was 2789.3 billion RMB with an increase of 14.5%. According to the statistics of consumption patterns, the retail sales of goods was 18685.9 billion RMB, with an increase of 14.4%. All the increases are above 9% while the annual average growth rate of consumption is about 15%, which is much higher than the global average. Moreover, the brands of sports shoes in China have developed rapidly. Although the growth slowed down in 2012, the market of sports shoes soles in China still has a great potential in the wide range of China market.

b. Complete industrial supply chain

The subsidiary of our company, Jinjiang Chandra Shoes Industry Company, is located in Jinjiang City, Fujian Province, where the largest sports shoes industry cluster in China is situated. 1 billion pairs of sports shoes are produced there annually, which is accounted for 20% of global total shoes production volume. The sales of Jinjiang sports shoes brand sales is accounted for about 65-70% of the domestic market in China. The complete local industry chain provides good convenience for the production of sports shoes. The brands of Jinjiang shoe industry include 361, Anta, Xtep, Delphi, Sanxing, Aile, Guirenbi, Jordan, etc. Its market share has been increasing continuously. The whole supply chain is being covered, from the primary plastic fabrication to the terminal product production. There are more than 3000 shoe-making companies in this region, so there are abundant supplies in the upstream and distribution channels in the downstream.

② Disadvantage factors and countermeasures

a. Many companies with fierce competition

Jinjiang has more than 3,000 various types of show industry companies currently, which are highly competitive among each other and may affect business performance of our company adversely.

Countermeasures:

Our company has emphasized on the development of new materials and applied patents in recent years to enhance the competitiveness of our company. We have obtained 16 patents and have 5 other patents under reviewing. We developed different functional series of EVO materials, including wear resistance, shockwave absorption, anti-slippery, ultra-light and high elasticity. We would continue to develop the different functions of EVO in the future, such as antistatic, etc. while our foaming rubber materials can replace the traditional RB materials. In addition, the decomposable EVA material developed by our company in collaboration with Fuzhou University was patented in China in March this year. The business performance of our company has grown significantly in recent years through product differentiation, avoiding the competition by market homogeneity.

b. The increase in labor cost in China

Our main production base is in China. Labor cost has an increasing trend with the increase in consumer price in recent years. If it continues to increase in the future, it will produce negative impact on operating profits.

Countermeasures:

Our company has introduced automatic production equipment successively in recent years and engaged in the improvement of production process positively. At present, the labor cost of the company has been reduced to less than 10%. In the future, the company will improve labor efficiency through the design of production process and staff training. In addition, our company developed a one phase dual color dual densities sole, which removes the most complex lamination procedure. It is expected to reduce the dependency on manual work effectively.

B. The major usage and production process of the major products

(1) Major usage of the major products

- ① Soles: the soles for all kinds of shoes such as sports shoes, casual shoes, etc.
- ② EVO particles: The raw material required for producing soles.

(2) Production process of the major products



傳統二次鞋底	Traditional two pase sole	EVA 中底發泡	EVA insole foaming
一次射出單色鞋底	One phase injection single color sole	RB 大底生產	RB outsole production
一次射出雙色雙密鞋底	One phase injection dual color dual density sole	EVA 中底生產	EVA insole production
備料	Material preparation	二次壓模成型	Second-time molding formation
射出成型	Injection formation	貼合加工成型	Lamination and processing formation

C. Supply status of the main raw materials

Main raw materials	Main suppliers	Supply conditions
EVA	Juwei Guangshuo, Zhongxiang New Energy Technology, Jiixin Chemical Engineering, Enlai Shoe Materials, Qingfeng Xingye, Import and Export of Jinjiang City	Good
PU and TPU parts	Hefeng Shoe Materials, Buyuan Sports	Good
Foaming agent	Quanzhou Chemical Material Construction, Jinlang Fine Chemical Engineering, Guangju Business and Trades	Good

Glue	Weiji Business and Trades, Zhanqi Trades	Good
BR-9000	Fulin Import and Export	Good
3L	Yonghong Renewables	Good

D. Explanations for the major changes in the profit margin of major products or department in the past two years

Year	2017	2018	2019
Profit margin (%)	34.39	16.86	(18.48)
Change ratio (%)	0.70	(50.97)	(209.63)

In 2018, due to China–United States trade war and the mainland economic downturn, the market competition was fierce. The well-known sports brands in mainland China were greatly affected by the market, which drastically lowered prices. Foreign trade customers were affected by China–United States trade war and lowered the order price, resulting in the overall profit rate of the company's products. Compared with 2017, there is a significant decline.

E. List of major customers for procurement and sales

(1) The suppliers who accounted for over 10% of the total procurement amount in one of the two recent years and their procurement amount and ratio

Unit: NT\$ 1,000; %

Items	2018				2019				First season of 2020			
	Name	Amount	Ratio accounted for the net procurement of the whole year (%)	Relationship with the issuer	Name	Amount	Ratio accounted for the net procurement of the whole year (%)	Relationship with the issuer	Name	Amount	Ratio accounted for the net procurement of the whole year (%)	Relationship with the issuer
1	Yuanren Import and Export	281,847	24.40%	None	Yuanren Import and Export	279,173	28.73%	None	Yuanren Import and Export	24,769	26.93%	無
2	Juwei Guangshuo	159,192	13.78%	None	HUA,JIAN-GU-FEN	148,186	15.25%	None	CHIN,LAN G-CHING-HSI	18,260	19.85%	無
3	Fulin Import and Export	106,442	9.22%	None	HAU,SZ-MAU-YI	103,877	10.69%	None	CHUAN,CHOU-SAN-LI	12,075	13.13%	無
	Subtotal	547,481	47.41%		Subtotal	531,236	54.67%		Subtotal	55,104	59.91%	
	Others	607,413	52.59%		Others	440,315	45.33%		Others	36,876	40.09%	
	Net procurement	1,154,894	100.00%		Net procurement	971,551	100.00%		Net procurement	91,980	100.00%	

(2) The suppliers who accounted for over 10% of the total sales amount in one of the two recent years and their sales amount and ratio

Unit: NT\$ 1,000; %

Items	2018				2019				First season of 2020			
	Name	Amount	Ratio accounted for the net sales of the whole year (%)	Relationship with the issuer	Name	Amount	Ratio accounted for the net sales of the whole year (%)	Relationship with the issuer	Name	Amount	Ratio accounted for the net sales of the whole year (%)	Relationship with the issuer
1	Jordan Sports	227,509	10.98%	None	Kaiying Export	112,659	9.74%	None	Kaiying Export	17,761	18.82%	None
2	Kaiying Export	219,178	10.58%	None	Jordan Sports	106,144	9.17%	None	Jordan Sports	11,615	12.31%	None
	Subtotal	446,686	21.56%		Subtotal	218,803	18.91%		Subtotal	29,376	31.13%	
	Others	1,625,303	78.44%		Others	938,220	81.09%		Others	64,995	68.87%	
	Net sales	2,071,989	100.00%		Net sales	1,157,023	100.00%		Net sales	94,371	100.00%	

F. Output value of the past two years

Unit: NT\$ 1,000

Year	2018			2019		
	Production capacity	Output	Output value	Production capacity	Output	Output value
Major products						
Sole	29,860,650 pairs	16,793,061 pairs	1,056,124	29,464,560 pairs	13,474,544 pairs	1,011,077
EVO EVO particles	15,486 tons	8,111 tons	761,762	15,486 tons	5,994 tons	600,059
Total	-	-	1,817,886	-	-	1,611,136

G. Sales value of the past two years

Unit: NT\$ 1,000

Year	2018				2019			
	Domestic sales		Foreign sales		Domestic sales		Foreign sales	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Major products								
Sole	21,486,487 pairs	1,732,786	-	-	13,829,373 pairs	875,332	-	-
EVO particles	3,700 tons	339,204	-	-	3,255 Tons	281,691	-	-
Total	-	2,071,990	-	-	-	1,157,023	-	-

(III) Number of working employees in the current year for the past two years and till the printing date of the annual report

Unit: people

Year		2018	2019	Till Mar. 31, 2020
Number of employees	Direct personnel	723	692	680
	Indirect employees	208	111	110
	Total	931	803	790
Average age		31	33	34
Average seniority		3.9	6.4	5.9
Distribution of educational background	Master's degree or above	3	3	3
	Bachelor's degree	27	27	27
	High school diploma (incl. below)	901	773	760
	Total	931	803	790

(IV) Information on eco-friendly expenditure

1.If certificate for the establishment of pollution facility or certificate for emission of pollutants should be applied or expenses for pollution control should be paid or specialized unit and personnels for eco-friendly should be established in accordance with the law, then please state the situations for application, payment or establishment.

The subsidiary of our company, Jinjiang Chandra Shoe Industry, has obtained the certificate for the emission of pollutants certified by the environment protection bureau of Jinjiang City and paid the fee for emission in accordance with the law. Hence, there are no situations where we violated laws related to eco-friendly which caused major negative effects on the financial business of our company.

2. Investment on the main equipment for pollution control and their usage and potential benefits

Details of the equipment for pollution control

Mar. 31, 2020

Name of the equipment	Amount	Date of Acquisition	Cost of investment (RMB)	Depreciation deduction (RMB)	Usage and expected potential benefits
Dust removal equipment for furnace	1	2005.12.01	40,000.00	4,000.00	Reduce the particulate matter in the dust effectively
	1	2008.02.29	30,000.00	3,000.00	
	1	2015.6.10	59,829.06	8,674.98	

3. For the process of controlling pollution, if there are cases with dispute related to pollution in the past two years and till the printing date of the annual report, then the treatment should be explained: none.

4. Explain the total disciplined amount (losses includes compensation) due to pollution in the past two years and till the printing date of the annual report and disclose the future countermeasures (including improvement measures) and potential expenditure (including the estimated amount of losses, penalties and compensation resulted from no countermeasures adopted; if rational estimation cannot be made, please explain the fact that it cannot be estimated rationally): none

5. Explain the current pollution status and the impact on the surplus, competitive position and capital expenditure by its improvement and the expected major eco-friendly capital expenditure in the next two years: none.

(V) Labor relations

1. List the employee welfare measures, advanced studies, trainings, pension system of the company and their implementation and the agreement between labor and management and the circumstances of the protection measures on employee rights:

(1) Employee welfare measures

Our countermeasures for legal welfare subject to local labor law are stated as follows:

① Insurance welfare measures: occupational medical insurance, occupational basic endowment insurance, unemployment insurance, occupational injury insurance, childbirth insurance and public housing funds

②Other welfares: The subsidiary of our company, Jinjiang Chandra Shoe Industry, has offered free dormitories for employees and held annual feasts to gather the coherence of the employees.

(2) Advanced studies and trainings for employees

The education training for our employees is focused on in-job training mainly. employees are taught and trained to familiarized with the internal operation of the company; for excellent or high-level employee, we encourage them to attend the advanced studies in universities and offer allowance for their tuition.

(3) Pension system

Our company has complied to the regulations of “Regulations on corporate occupational basic endowment insurance” stipulated by the country of our main business body, Jinjiang Chandra Shoe Industry Ltd. Company. Pension funds are withheld monthly to the specialized account of financial department of the local government.

(4) Agreement between the labor and management

Our company always emphasizes labor rights and the harmony in the relationship between labor and management. In addition, our company pays attention the opinions from the employees, employees can appropriately communicate with higher level manager or human resources department directly to maintain their good relationship. Therefore, there are no disputes between labor and management till now.

(5) Protection measures for all kinds of labor rights

Our company has established internal control system and all kinds of regulations, which includes labor rights, obligation and welfare. We review the content of welfare periodically to protect labor rights.

2. If there are losses from the disputes between labor and management in recent years and till the printing date of the annual report, then explain them and disclose the current and future potential amount of losses and their countermeasures. If it cannot be estimated rationally, then explain the fact that it cannot be estimated rationally: none.

In addition, please refer to the aforementioned (II) Risk matters A. Risk factors (2) Main business location: China ii. Foreign exchange control, taxation, laws c. Description of risks on laws and policies regarding the social insurance and public housing funds paid by the subsidiary of our company, Jinjiang Chandra and explain.

I. Important contracts

A. Tenancy agreement							
Serial No.	Name of contract	Lessee	Lessor	Area of tenancy	Duration of the contract	Main covenants	Restrictive covenants
1.	Factory agreement tenancy	Jinjiang Chandra Ltd. Company	Jinjiang Huahong Needle Textile Ltd. Company	32,040 squared meters	From Mar. 1, 2019 to Mar. 31, 2022	The tenancy of Jinjiang Chandra to Huahong company are the two factories located in the industrial the industrial area, WuLi, Jinjiang city, which is used for production. 《Factory tenancy agreement》 has stated that if the lessor violate the agreement and wish to recover the lease holds in advance, then notice should be given to Jinjiang Chandra in written form three months in advance and return the deposit with double amount (the amount of deposit is RMB 2,000,000 dollars) to Jinjiang Chandra. If lease factories were to be sold, the lessor should notify Jinjiang Chandra three months in advance. After the transfer, 《Factory tenancy agreement》 is still effective to the new owner of lease holds and Jinjiang Chandra. When the lessor transferred the lease holds, Jinjiang Chandra enjoys the preemptive right under the same conditions. Before the period of tenancy is over, if Jinjiang Chandra would like to continue the tenancy, then notice should be given to the lessor in written from two months before the tenancy period ends. If the lessor wishes to continue the tenancy	-

A. Tenancy agreement							
Serial No.	Name of contract	Lessee	Lessor	Area of tenancy	Duration of the contract	Main covenants	Restrictive covenants
						after the tenancy period ends, then Jinjiang Chandra enjoys the prioritized tenancy under the same conditions.	

B. Cooperative research & development agreement							
Serial No.	Name of contract	Party A	Party B	Duration of the contract	Main covenants	Restrictive covenants	
1.	Agreement with the Development Center for the Joint Creation of Highly Functional Macromolecular Shoe-Making Material	Jinjiang Chandra Ltd. Company	Material Science and Engineering College of Fuzhou University	From Dec. 1, 2017 to Nov. 30, 2019	Both parties established Development Center for Highly Functional Macromolecular Shoe-Making Material jointly, which has both branch offices in the Material Science and Engineering Department of Fuzhou University and Jinjiang Chandra. Research and product development are performed based on the chosen subjects by both parties. Both parties will adopt multiple method to cultivate and train professional talents related to the business of Jinjiang Chandra. In principle, the	-	

B. Cooperative research & development agreement						
S e r u a k N o.	Name of contract	Party A	Party B	Duration of the contract	Main covenants	Rest ricti ve cove nant s
					achievement of the thesis belonged to Fuzhou University while the scientific achievement (other than the achievement of the thesis), patent rights and patents belonged to Jinjiang Chandra. The substantial content is performed in accordance with the program agreement. The cooperation period is 2 years starting from Nov. 12, 2015.	
2	Cooperative Agreement on Technology Refinement Program	Jinjiang Chandra Ltd. Company	Robots Development Center of Jinjiang-Harbin Institute of Technology	From Apr. 8, 2015 to Apr. 10, 2018	Both parties will upgrade and renovate the production line of intelligent material delivery system and high-precision material configuration system in the workshop together; negotiate the feasibility and related technical problems of the technology renovation program; Jinjiang Chandra offers one MD production line and the fundamental equipment such as materials and molds to satisfy the use for the implementation of renovation tasks. The cooperation period is three years starting from Apr. 10, 2015.	
3	Huaqiao University-Chandra Research & Development Center for Graphene/Shoe Materials Technology	Jinjiang Chandra Ltd. Company	Huaqiao University	From Oct. 8, 2016 to Oct. 7, 2021	Both parties built “Huaqiao University-Chandra Research & Development Center for Graphene/Shoe Materials Technology” jointly. The research group of professor Chen, Guo-Hua from Huaqiao University will be responsible for the innovative development of product technology while Chandra funded the operation of the research center and industrialized the relevant achievements exclusively. Both parties agreed the content of	

B. Cooperative research & development agreement						
S e r i a l N o.	Name of contract	Party A	Party B	Duration of the contract	Main covenants	Rest ricti ve cove nant s
					research: the technology research for the application of graphene in EVA, rubber and related composite materials and new technology research, etc. The period of cooperation is from Oct. 8, 2016 to Oct. 7, 2021.	

(III) Insurance contract						
S e r i a l N o.	No.	Insurance carrier	Insurance period	Target	Total amount of insurance	Rest ricti ve cove nant s
1.	AFUZN1002919Q0000345	CPIC	2016/07/19 00:00-2017/07/18 24:00	Fixed assets situated in the industrial area, WuLi, Jinjiang city (houses and buildings)	32,490,000	-
2.	AFUZN1002919Q000033V	CPIC	2016/07/19 00:00-2020/07/18 24:00	Fixed assets situated in the industrial area, WuLi, Jinjiang city (houses, buildings, machinery equipment, furnace, devices, furnitures and office supplies) and liquid assets (raw materials, semi-finished products, finished products)	54,758,000	

VI. Financial Status

(I) Condensed Financial Information of the past three years

A. Condensed balance sheet & Composite income statement

1. Condensed balance sheet

(1) Condensed consolidated balance sheet – International Financial Reporting Standards

Unit: NT\$ 1,000

Items	Year	Annual financial information of the past five years (Remark)					Financial information of the current year till Mar. 31, 2020
		2015	2016	2017	2018	2019	
Liquid assets		6,132,140	5,539,385	5,775,422	5,218,342	4,237,691	3,978,457
Funds & Investments		-	-	-	-	-	-
Fixed assets, factories and equipment		134,876	431,209	676,021	914,812	1,171,598	1,196,905
Intangible assets		83,400	466,896	499,263	609,451	650,731	632,725
Other assets		40,576	14,603	47,166	45,586	62,483	61,757
Gross assets		6,390,992	6,452,093	6,997,872	6,788,191	6,122,503	5,869,844
Liquid liability	Before distribution	736,263	493,792	398,913	233,028	229,474	131,677
	After distribution	851,156	631,664	436,828	260,832	229,474	131,677
Long-term liability		-	-	-	-	-	-
Other liability		7,230	6,683	10,563	5,235	36,135	36,838
Total Liability	Before distribution	743,493	500,475	409,476	238,263	265,609	168,515
	After distribution	858,386	638,347	447,391	266,067	265,609	168,515
Capital stock		883,794	1,148,932	1,263,825	1,390,208	1,529,229	1,529,229
Capital surplus		2,540,814	2,540,814	2,540,814	2,540,814	2,540,814	2,540,814
Retained earnings	Before distribution	1,752,308	2,519,506	3,101,908	3,072,309	2,467,160	2,378,488

	After distribut ion	1,637,415	2,657,378	3,063,993	3,044,505	2,467,160	2,378,488
Other equity		308,904	(257,634)	(318,151)	(453,403)	(680,309)	(747,202)
Gross stockholders' equity	Before distribut ion	5,647,499	5,951,618	6,588,396	6,549,928	5,856,894	5,701 ,329
	After distribut ion	5,532,606	6,089,490	6,550,481	6,522,124	5,856,894	5,701 ,329

Remark: The financial statement of each year has been audited and certified by accountants.

2. Condensed consolidated income statement

(1) Condensed composite income statement – International Financial Reporting Standards

Unit: NT\$ 1,000

Year	Financial information of the recent five years (Remark)					Financial information of the current year till Mar. 31, 2020
	2015	2016	2017	2018	2019	
Operating revenue	3,198,020	3,302,412	3,406,504	2,071,989	1,157,023	94,371
Operating profit	1,065,710	1,127,694	1,171,452	349,360	(213,855)	(66,578)
Operating benefit	950,461	1,001,870	975,936	127,158	(369,995)	(93,661)
Nonoperating income and benefit	79,676	39,530	25,837	45,650	(63,882)	6,132
Nonoperating expenditure and loss						
Income before tax for the continued business department	1,030,137	1,041,400	1,001,773	172,808	(433,877)	(87,529)
Income after tax for the continued business department	862,813	882,091	835,167	134,699	(438,324)	(88,672)
Other composite income	(103,459)	(463,079)	(60,517)	(135,252)	(226,906)	(66,893)
Composite income of the period	759,354	419,012	774,650	(553)	(665,230)	(155,565)
Net profit after tax of every stock (dollars)	7.51	7.68	6.01	0.88	(2.87)	(0.58)

Remark: The financial statement of each year has been audited and certified by accountants.

3. Name and audit opinion from the certified accountant in the past three years

(1) Name and audit opinion from the certified accountant in the past three years

Year	Name of the accounting firms	Certified accountant	Audit opinion
2017	Deloitte & Touche	Yeh, Shu-Chuan; Wu, Ko-Chang	Unqualified opinion
2018	Deloitte & Touche	Cho, Ming-Hsin; Wu, Ko-Chang	Unqualified opinion
2019	Deloitte & Touche	Cho, Ming-Hsin; Shi Jingbin	Unqualified opinion

(2) If there are situations where the accountants are changed in the past three years, then the company, predecessor and successor accountants should be listed and it is required to explain the reasons for change.

Our company established in 2012. We have entrusted the accountants from Deloitte & Touche to perform audit and certification since we have applied for becoming a listed company in Taiwan. For the past three years, the audit and certification are performed by the accountants from Deloitte & Touche.

(II) Financial analysis

1. Financial analysis by the International Financial Reporting Standards

Analyzed items		Year	Financial information of the past five years					First season of 2020
			2015	2016	2017	2018	2019	
Capital structure (%)	Debts ratio		11.63	7.76	5.85	3.51	4.34	2.87
	Long term funds to fixed assets, factories and equipment		4,192.55	1,380.22	974.58	715.99	499.91	476.34
Debt-paying ability (%)	Current ratio		832.87	1,121.81	1,447.79	2,239.36	1,846.70	3,021.38
	Quick ratio		1,067.32	1,049.15	1,434.75	2,220.66	1,821.52	2,971.61
	Interest guarantee		300.36	1,550.70	-	-	-	-
Operating ability	Average collection turnover (times)		2.45	2.81	3.17	2.70	3.15	1.78
	Average collection days		149	130	115	135	116	205
	Average inventory turnover (times)		92.81	89.45	86.60	72.57	86.58	145.07
	Average payables turnover (times)		5.29	6.11	9.79	11.57	14.17	10.15
	Average inventory turnover days		4	4	4	5	4	3
	Fixed assets, factories and equipment turnover (times)		23.71	7.66	5.04	2.26	0.99	0.32
	Total assets turnover (times)		0.50	0.51	0.49	0.31	0.19	0.06
Earning power	Return on total assets (%)		14.69	13.75	12.42	1.95	(6.79)	(5.92)
	Return on total stockholders' equity (%)		16.11	15.21	13.32	2.05	(7.07)	(6.14)
	to capital (%)	82.73	87.20	77.22	9.15	(24.19)	(26.95)	(14.39)
		89.66	90.64	79.27	12.43	(28.37)	(25.18)	(10.10)
	Net income to sales (%)		26.98	26.71	24.52	6.50	(37.88)	(93.96)
Earning per share (dollar)		7.51	7.68	6.01	0.88	(2.87)	(0.58)	
Cash flow	Cash flow ratio (%)		134.13	109.34	268.47	299.27	(84.73)	88.05

	Cash flow adequacy ratio (%)	-	-	-	-	-	-
	Cash flow reinvestment ratio (%)	17.18	8.96	16.01	10.09	(3.19)	1.95
Leverage	Operating leverage	0.97	0.97	0.97	0.74	1.18	1.14
	Financial leverage	1.00	1.00	1.00	1.00	1.00	1.00

The calculation formula of the ratios above are listed as the following:

1. Capital structure

(1) Debts ratio = total liability/total assets

(2) Long-term funds to fixed assets, factories and equipment = (average shareholders' equity + long-term liability)/net value of fixed assets, factories and equipment

2. Debt-paying ability

(1) Current ratio = liquid assets/liquid liability

(2) Quick ratio = (liquid assets – inventory – prepaid expenses)/liquid liability

(3) Interest guarantee = pre-tax income of income tax and interest expenses/interest expensidure of the period

3. Operating ability

(1) Average collection turnover = average receivable amount

(2) Average collection days = 365/average collection turnover

(3) Average inventory turnover = operating costs/average net value of inventory

(4) Average payables turnover = operating costs/average payable amount

(5) Average inventory turnover days = 365/average inventory turnover

(6) Fixed assets, factories and equipment turnover = net sales/net value of the fixed assets, factories and equipment

(7) Total assets turnover = net sales/total assets

4. Earning power

(1) Return on total assets = [net profit margin + interest expenses (1- tax rate)]/average total assets

(2) Return on total stockholders' equity = net profit margin/average shareholders' equity

(3) Operation income to capital = operating profit/actual receipt capital

(4) Per-tax income to capital = pre-tax income/ actual receipt capital

(5) Net income to sales = net profit margin/net sales

(6) Earning per share = (net profit margin—preferred stock dividend)/weighted average of issued number of common stocks

5. Cash flow

(1) Cash flow ratio = cash flow of business activities /liquid liability

(2) Cash flow adequacy ratio = net cash flow of business activities in the past five years/past five years(capital expenditure + increased amount of inventory + cash dividends)

(3) Cash flow reinvestment ratio = (net cash flow of business activities — cash dividends)/(gross fixed assets, factories and equipment + long-term investment + other assets + operating funds)

6. Leverage

(1) Operating leverage = (net operating revenue — changed operating cost and expenses)/operating profit

(2) Financial leverage = operating profit/(operating profit — interest expenses)

(III) Audit report from Audit Committee for the financial statements of recent years

Victory New Materials Limited Company

108 年度審計委員會審查報告書

茲准

董事會造具本公司民國一〇八年度營業報告書、財務報表及盈餘分派議案，其中財務報表業經勤業眾信聯合會計師事務所卓明信會計師及施景彬會計師查核完竣，並出具查核報告。前述營業報告書、財務報表及盈餘分派議案，經本審計委員會查核，認為尚無不合，爰依證券交易法第十四條之四及公司法第二一九條規定報告如上，敬請鑒查。

此致

本公司 109 年股東常會

審計委員會召集人：林振祥



中華民國一〇九年四月二十九日

(IV) Financial statements of recent years

Please refer to attachment 1 for the consolidated financial statements and audit report by the accountants in 2019

(V) Individual financial statements of th company audited and certified by the accountants in recent years

Not applicable

(VI) If there are difficulties in financial turnover for a company and its affiliated companies in recent years and till the printing date of the annual report, then the impact on the financial status of our company by such cases should be stated: none.

VII. Review and Analysis of Financial Status and Financial Performance and Other Important Matters

(I) Financial Status

Main reasons and their effects on the major changes of the assets, liabilities and stockholder's equity in the past two years.

Unit: NT\$ 1,000

Items	Year	2018	2019	Differences	
				Amount	Ratio(%)
Liquid assets		5,218,342	4,237,691	(980,651)	(18.79)%
Fixed assets		914,812	1,171,598	256,786	28.07%
Intangible assets		609,451	650,731	41,280	6.77%
Other assets		45,586	62,483	16,897	37.07%
Gross assets		6,788,191	6,122,503	(665,688)	(9.81)%
Liquid liabilities		233,028	229,474	(3,554)	(1.53)%
Long-term liabilities		-	-	-	-
Other liabilities		5,235	36,135	30,900	(590.26)%
Gross liabilities		238,263	265,609	27,346	(11.48)%
Capital stock		1,390,208	1,529,229	139,021	10.00%
Capital surplus		2,540,814	2,540,814	-	-
Retained earnings		3,072,309	2,467,160	(605,149)	(19.70)%
Cumulative translation adjustment		(453,403)	(680,309)	(226,906)	50.05%
Minority interest		-	-	-	-
Total stockholder's equity		6,549,928	5,856,894	(693,034)	(10.58)%

Reasons and their effects on over 20% of changes between the two terms and the amount of changes to be NT\$ 10 million:

1. The increase in fixed assets

This is mainly due to the procurement of land to build new factories and offices in 2019.

2. The increase in other assets

This is mainly because of the payment to the supplementary of transfer of land use rights, the guarantee deposits for the expected participation of bidding and the expenses for relocation personnel as pension security.

3. The increase in retained earnings

The business performance of our company in 2017 is good, thus, the retained earnings has also increased correspondingly.

4. The increase in cumulative translation adjustment

This is mainly affected by the fluctuation of exchange rate.

(II) Financial Performance

1. Table of Comparison and Analysis of Financial Performance

Unit: NT\$ 1,000

Items	Year	2018	2019	Differences	
				Amount	Ratio(%)
Net operating revenue		2,071,989	1,157,023	(914,966)	(44.16)%
Operating cost		1,722,629	1,370,878	(351,751)	(20.42)%
Gross profit		349,360	(213,855)	(563,215)	(161.21)%
Operating expenses	222,202		156,140	(66,062)	(29.73)%
Operating profit		127,158	(369,995)	(497,153)	(390.97)%
Non-operating revenue		51,283	39,996	(11,287)	(22.01)%
Other profit and losses		(5,633)	(103,878)	(98,245)	1,744.10%
Income before tax		172,808	(433,877)	(606,685)	(351.07)%
Income tax expenses		38,109	4,447	(33,662)	(88.33)%
Consolidated net income		134,699	(438,324)	(573,023)	(425.41)%

Main reasons and explanations for over 20% changes between the two terms and the amount of changes to be NT\$ 10 million:

1. The increase in operating expenses

This is mainly because that our company has devoted more money in the development of sole materials with the application of graphene. The raw material price of graphene is high. Also, we need to pay for the relevant expenses of the cooperative development unit. Thus, the development expenses have increased in 2017 compared to the same period last year.

2. The increase in other interests and losses

This is mainly due to the losses in currency exchange.

2. Potential effects and the corresponding plans of the company's future financial business according to the expected sale amount

The expected sale amount of our company is based on the reference to the sale amount from the past years, the estimation on market demand and the acquired client order while considering the factors such as supply status of the main raw material to set up the shipment objectives of the year. The response to the sole market of our company is good, the application of EVO material has a wide range and the new production lines has been constructed successively, so we expected that it will show a trend of steady growth in the future.

(III) Cash flow

1. The analysis of cash flow

Unit: NT\$ 1,000

Items	Year	2018	2019	Differences	
				Amount	Ratio(%)
Cash inflow from business activities		697,390	(194,433)	(891,823)	(127.88)%
Cash outflow from investment activities		(424,832)	870,214	1,295,046	(304.84)%
Cash outflow from financing activities		(35,987)	(55,360)	(19,373)	53.83%
Change Analysis:					
1. Cash inflow from business activities: This is mainly due to the decrease in prepayment for the procurement of land in 2019.					
2. Cash outflow from investment activities: This is mainly due to the procurement of land to build new factories and offices of the company in 2019					
3. Cash outflow from financing activities: This is mainly due to the release of cash dividends in 2019					

2. The improvement plan for insufficient liquidity and the change impact analysis of cash flow for the future year

Although our company has some ongoing demands for working capital and all kinds of plans for capital expenditure in 2019, cash position is still high and should be able to afford the cash outflow of investment activities in the future year. Thus, there is no such problems as insufficient liquidity yet.

(IV) Impact on financial business by major capital expenditure in recent years

The amount of fixed assets for our company's procurement in 2018 is 288,802 thousand dollars. The newly addition of fixed assets for our company is helpful to some extent to the revenue according to the comparison chart of fixed-asset and total-asset turnover ratio in 2015~2017. This is because our company has expanded production capacity and purchased production machinery and equipment based on the business demands. There are no negative effects on the financial business of our company resulted from the increase in capital expenditure.

Turnover ratio	2016	2017	2018
Fixed-asset turnover ratio (times)	7.66	5.04	2.26
Total-asset turnover ratio (times)	0.51	0.49	0.31

(V) Re-investment policy and the major reasons and improvement plans for the profit or loss in recent years and the investment plan for the future year

The re-investment policy of our company is matched with the demands of corporate business. The affiliated re-investment subsidiary is in profit status since the domestic demand market of China has expand continuously in 2012, which present a trend of steady growth.

(VI) Analysis and assessment on risk matters in recent years and till the printing date of the annual report

A. Impact on company's income by interest rate fluctuations, exchange rate fluctuations and inflation and the countermeasures for future

1. Interest rate fluctuations

Our company and its important subsidiary has performed periodic assessment on credits and loans with the correspondent bank, obtained better offers of interest rates from the negotiation with the correspondent bank and controlled the capital flow of the main business activities to pay for the loans from the bank and business activities. The amount short-term loan from the bank is 0 dollars, which accounted for 0% in total-asset till the end of 2019 and till March 31, 2020. The interest expenditure for 2019 and the first season of 2020 are both 0 dollars. Hence, there are no major negative effects on the financial business of our company resulted from the interest rate fluctuations till now.

2. Exchange rate fluctuations

The main body of our company's business is located in Jinjiang Chandra, Fujian province, China. The sales transaction is calculated in RMB since its main target customers are local companies and traders in China. The payment is also made by RMB through import procurement by the local traders in China though its main raw material EVA comes from abroad. Therefore, the collection of relevant payment for daily operation of Jinjiang Chandra is performed with RMB. The registered main body, Victory New Materials Company, tracks their expenses by RMB. When making the consolidated reports, differences arose from rounding to whole numbers rather than the losses resulted from currency exchange in trades. Hence, there are no major negative effects on financial business of our company resulted from the exchange rate fluctuations till now.

The main body of our company's business has no major risks from exchange rate fluctuations currently. However, Victory New Materials Company, which applied as listed companies in Taiwan, may release dividends in New Taiwan Dollars to domestic investors or obtain capitals in New Taiwan Dollar from financing domestically and exchange to Raminbi for operations in the future. There will be risks involving exchange rate fluctuations when performing currency exchange from Raminbi to New Taiwan Dollars. The countermeasures of our company are as follows:

- (1) Financial personnel have maintained appropriate foreign exchange position in the perfect timing based on the future trend of exchange rates and provided business needs for all subsidiaries within the corporation to reduce the impact on company's profit by exchange rate fluctuations.

(2) Keep close contact with the main correspondent bank to monitor the changes in foreign exchanges market at all times for the relevant management personnel to get hold of the exchange rate fluctuation trends. If there are accidental incidents occurred with the change in collection or payment currency, then adjustments can be made in time.

3. Inflation

The main operations performed by our company is related to “shoes”. Though the main market is located in China, the economy of China is still affected by global economics, especially in the livelihood products for export. Some countries have large debts, which is hard to solve within a short time, and are dependent on international rescue. In addition, all countries have started to raise the interest rate level to avoid excess capital, which will result in inflation, so there are still dark clouds along the road to recovery. Similarly, the government of China has started to reduce money supply because of housing speculations and inflation pressures, which buried the variables for the economic growth of China and affected the consumptions potentially. These reasons have limited business growth and profit margin of our company. Our company has currently continued to develop new products and explore new markets positively to response to the risks from future prosperity changes.

B. Policies, main reasons and future countermeasures for profit or loss due to performing high-risk, high leverage investments, endorsements and guarantees and transactions in financial derivatives

The mission statement of our company is built on conservatism principle and pragmatic concept. Our company and its important subsidiaries did not perform high-risk, high-leverage investments, endorsements and guarantees and transactions in financial derivatives. In addition, our company has formulated “Regulations for endorsements and guarantees” and “Programs for handling gain or disposal of assets” for compliance when performing relevant operations in the future; as for operations related to lending of capital are handled in accordance with “Programs for operations involving lending of capital” of our company. Therefore, there are no incidents occurred where there is major impacts on the financial business of our company.

C. Future development plans and expected research and development expenses to be devoted

The important subsidiaries of our company will develop new products according to market demands and devoted into the improvement on major production equipment and process. The research and development expenses of 2016 and 2017 are accounted for 0.86%~3.39% of the revenue percentage. The research and development expenses of the first season of 2018 are accounted for 8.99% of the revenue percentage. We will continue to devote into research and development and the improvement on production process. The expected research and development expenses to be devoted each year will accounted for less than 10% of the revenue percentage to ensure the advantage of our company within the industry.

D. Impact on the financial business of our company by domestic and foreign important policies and changes in law and their countermeasures

The registration of our company is Cayman Islands, but there are no concrete economic activities performed there. The main operation location is China. Our company and its important subsidiaries have paid attention to the major policies, changes in law and changes in policies and orders of the competent agencies of the host countries at all times and made immediate responses. Therefore, there are no major impact on the financial business of our company and its important subsidiaries.

E. Impact on the financial business of our company by technology changes and industrial changes and their countermeasures

Our company and its important subsidiaries belonged to livelihood necessity industry. Our corporation always pays attention to relevant shoe-making technology and the price change in raw materials within the industry and gets hold of market trends. There are no major impacts on the financial business of our company by technology changes or industrial changes currently. However, it should be noted that the downstream client of our corporation is mainly the local shoe brands of China, such as Jordan, Anta and Xtep. Shoe industry involves fashion greatly and is dependent on the identification of customers to the brands. Customer awareness in China has raised along with the continuous development of China's economy and increase in per capita income. If our corporation cannot continue to develop products, which matched the demands from customers, then there will be negative effects on the revenue of our corporation.

Our corporation has newly developed EVO and EVA degradable materials, which are products with high gross profits, to respond to the bottleneck of revenue and profit from traditional shoe materials. However, EVA degradable materials have not reached the capability for mass production, and the relevant products are still facing the challenges of the market. If the revenue of relevant products produced by new materials is not as expected in the future, then there will be negative effects on the business and financial status of our corporation.

F. Impacts on corporate management crisis by the change of corporate image and their countermeasures

Our company and its important subsidiaries always value local corporate image. Our company has continued to strengthen internal management and quality management of our company positively since its establishment to build corporate image of our corporation. This can further increase the trust to the brands of our company from customers. Therefore, there are no crisis occurred yet.

G. Expected benefits, potential risks and countermeasures for merger

Our company performed internal merger of the corporation since the end of 2012 to fulfill the needs for becoming listed company in Taiwan. Reorganization of the internal structure of the corporation and the integration of resources are accomplished by doing so. Other than this, our company have no other merger action. The program for our company to perform structure reorganization is handled and performed in accordance with local orders and regulations and the internal regulations of our company. Therefore, there are no doubts on negative effects of the business of our company resulted from the relevant risks of merger.

H. Expected benefits and potential risks for the expansion of factories and their countermeasures

The management of our company has planned to purchase land in Cizao town, Jinjiang city to construct new production center of our company in accordance with future development of our company. The new production center will integrate the two current factories of the company. The production capability will also be further expanded. As a result, management and business efficiency will be enhanced. Furthermore, employee welfare and corporate competitiveness will be enhanced from research and development buildings, staff dormitories and employee service centers.

I. Risks from centralized purchasing or marketing and countermeasures

1. Risks from centralized purchasing

The procurement of raw materials by important subsidiaries of our company has distributed the procurement risks properly based on the principle of making the

procurement from multiple suppliers to ensure there are no problems in the supply of required raw materials for production and followed the relevant procurement programs.

2. Risks from centralized marketing

The important correspondent customers of important subsidiaries of our company are well-known brands, shoe factories and traders of China. Centralized marketing is the characteristics of this industry. However, our company has continued to pay attention and assess the risks from customer credits in order to response immediately. In addition, our company has developed new customers positively. By expanding customer base, we can reduce the risks from the centralized marketing of our corporation.

J. Impacts and risks on the company by massive stock transfers or changes occurred, which are performed by directors, supervisors or big shareholders who have over 10% of shareholdings and their countermeasures

There are no massive stock transfers occurred, which are performed by directors, supervisors or big shareholders who have over 10% of shareholdings, in recent years and till the printing date of the annual report.

K. Impacts and risks on the company by the change in management right in recent years and till the printing date of the annual report and their countermeasures

There are no changes in the management right of our company in recent years and till the printing date of the annual report. Our company has enforced corporate governance system and introduced independent directors to promote the protection of stockholders' equity. The daily operation of our company relies on professional managers. The professional team of managers of our company have made contributions to business performance of our company to some extent. They can continue to obtain the support from shareholders in the future. Therefore, there are no major negative effects on the management and business advantages of our company if there are changes in management right.

L. For litigation or non-contentious cases, the company and the directors, supervisors, general manager, substantial responsible person of the company, big shareholders, who have over 10% of shareholdings, and the affiliated companies should be stated in detail; for cases with final verdict or major litigation, non-contentious or administrative cases at trial where its consequences can result in major impact on stockholders' equity or security prices, the litigation facts, target amount, starting date of the litigation, main parties of the litigation and the status until the printing date of the annual report should be disclosed.

There are no such circumstances within our company.

M. Other important risks and their countermeasures

1. Management has faced the challenges of working in listed company for the first time

The business of shoe industry of our company has obtained significant scores. However, we need to face the wide range of investors, shareholders and professional investment institutes after the stock of the company is listed. Our company belongs to the category of foreign enterprise and we need to adapt and understand the relevant securities act. In the future, there will be specialized personnel responsible for maintaining the relationship with investors and performing operations to comply with relevant regulations in the securities act in Taiwan. Our company has recruited suitable talents and organized an excellent team for the demand from business operation successively since our company applied to be listed. Moreover, our company has recruited auditing managers

with the working experience in accounting firms in Taiwan to enforce corporate governance in order to respond to the challenges faced after being listed.

2. Challenges from stockholders' equity

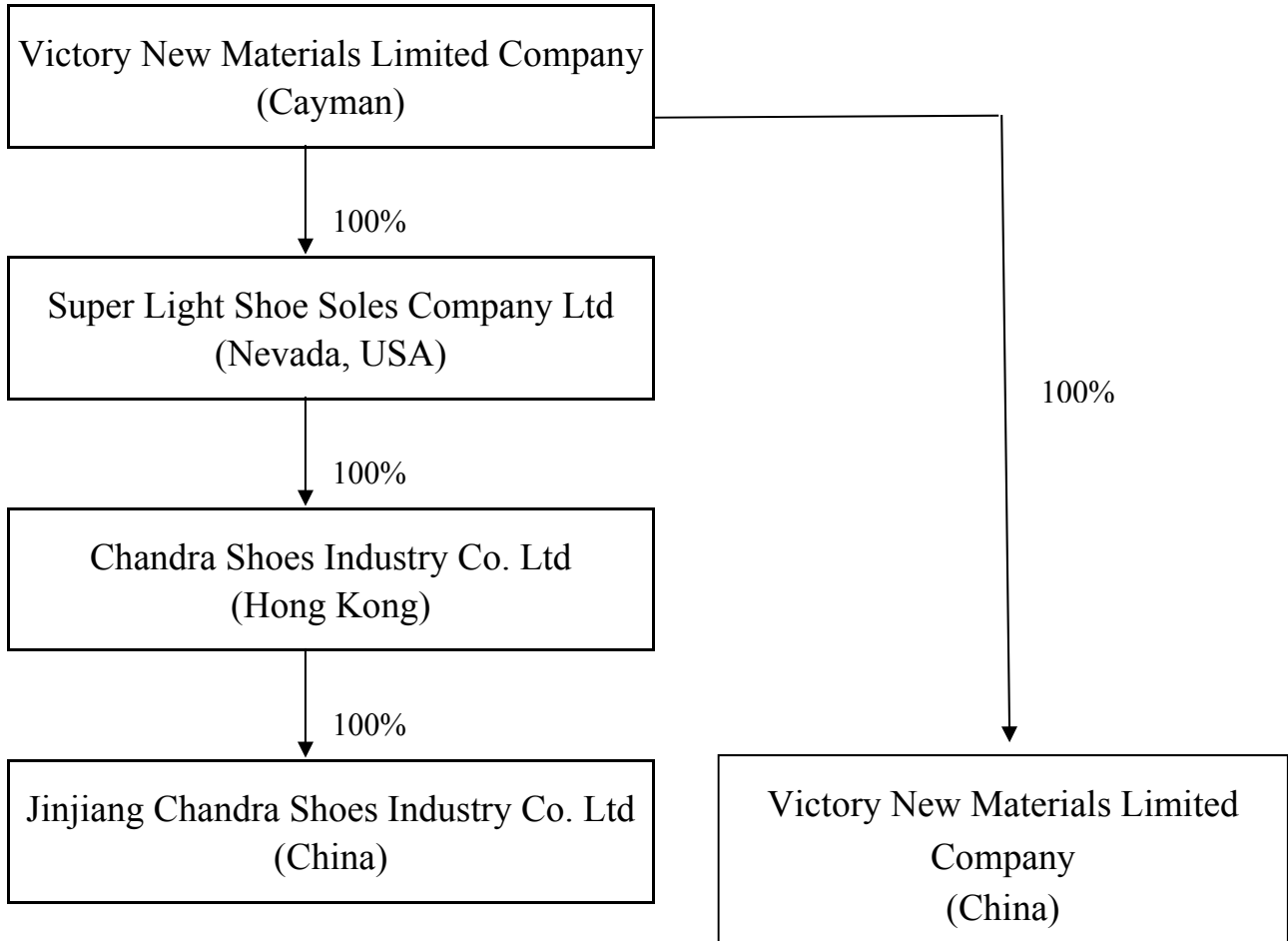
The Company Act of Cayman Islands and The Company Act of R.O.C. have many different regulations. Our company has amended our company law in accordance with "Checklist for important matters concerning the protection of shareholders' equity in foreign issuer's country of registration" announced by Taiwan Stock Exchange without against the law in Cayman Islands. However, the legal regulations for corporate operation in China and Taiwan have many different points, investors cannot ensure that their perspectives in the legal rights of investment on domestic companies in Taiwan can also be used when making investments on companies in Cayman Islands. Hence, investors should understand and inquire relevant risks from specialists.

(VIII) Other important matters:

None

VIII. Special Notes

(I) Relevant information on affiliated company



(II) Circumstances of private offering of securities in recent years: None

(III) Circumstances of the stock of our company held by or disposed of by the subsidiary in recent years and till the printing date of the annual report: None

(IV) Other necessary matters for supplementary: None

(V) If there are matters that caused major effects on the stockholder's equity or securities price stated in Subparagraph 2 of Paragraph 2 of Article 36 of the Act in recent years and till the printing date of the annual report, they should be stated in detail: None

(VI) Whether specific contents for protecting stockholder's equity has been stipulated in company law or the documents of the organization

The applied company has stipulated concrete contents in the Law for the protection of stockholders' equity in accordance with the requirement in the checklist for the protection of stockholders' equity after reviewing The Company Law of the applied company except for the differences listed in the following table:

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
<p>A company shall not cancel its shares, unless a resolution on capital reduction has been adopted by its shareholders' meeting; and capital reduction shall be effected based on the percentage of shareholding of the shareholders pro rata. A company reducing its capital may return share prices (or the capital stock) to shareholders by properties other than cash; the returned property and the amount of such substitutive capital contribution shall require a prior approval of the shareholders' meeting and obtain consents from the shareholders who receive such property. The board of directors shall first have the value of such property and the amount of such substitutive capital contribution set forth in the preceding Paragraph audited and certified by a certified public accountant before the shareholders' meeting.</p>	<p>Article 10.7 of The Company Law: "Notwithstanding anything to the contrary contained in Article 10.1 to 10.6, and subject to the Statute, the Memorandum and Articles and the Applicable Public Company Rules, the Company may, with the approval of an Ordinary Resolution, compulsorily redeem or repurchase Shares, provided that such Shares shall be cancelled upon redemption or repurchase and such redemption or repurchase will be effected pro rata based on the percentage of shareholdings of the Members. Payments in respect of any such redemption or repurchase, if any, may be made either in cash or by distribution of specific assets of the Company, as specified in the Ordinary Resolution approving the redemption or repurchase, provided that (a) the relevant Shares will be cancelled upon such redemption or repurchase and will not be held by the Company as Treasury Shares, and (b) where assets other than cash are distributed to the Members,</p>	<p>According to the explanations from the lawyers of Cayman Islands:</p> <ol style="list-style-type: none"> 1. Article 14 of Cayman Islands Company Law allows the company to reduce issued capital, however, this requires the approval of board meeting by Special Resolution and can be performed after the confirmation of Cayman court. 2. Other than Article 14 of Cayman Islands Company Law, the issued capital of the company can be removed only when buying, returning or taking back in accordance with the regulations in Article 37 or 37B of Cayman Islands Company Law. 3. Based on Article 37 of Cayman Islands Company Law, a company can buy back its stocks in accordance with The Company Law with the approval of board meeting. Other than the regulations in Article 37, Cayman Islands Company Law has not stipulated: (1) the buy-back should be in accordance with the shareholding ratio of the shareholders; (2) approval is required when the stock payment is returned by properties other than cash; or (3) assessment should be performed for the returned property value. However, these can be stipulated in The Company Law. <p>Because of this, Article 14.1 and Article 10.7 of The Company Law stipulate that the procedure of reducing capital of our company should be performed through the buy-back of stocks. The difference comes from the regulation of Cayman Islands Company Law. However, The</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
	<p>the type of assets, the value of the assets and the corresponding amount of such substitutive distribution shall be (i) assessed by an R.O.C. certified public account before being submitted to the Members for approval and (ii) agreed to by the Member who will receive such assets. After the Company has acquired public company status, the foregoing matter shall be made in accordance with the Applicable Public Company Rules as applied to the Company.”</p>	<p>Company Law did not further limit the procedure of reducing capital of our company.</p>
<p>The remuneration of directors, if not prescribed in the Articles of Incorporation, shall be determined by a meeting of shareholders and cannot be ratified by a meeting of shareholders.</p>	<p>Article 30.2 of The Company Law: “The Directors may be paid remuneration only in cash. The amount of such remuneration shall be recommended by the remuneration committee and determined by the board of Directors, and take into account the extent and value of the services provided for the management of the Company and the standards of the industry in the R.O.C. and overseas. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with their attendance at meetings of the board of Directors or committees of Directors, or general meetings of the Company, or separate meetings of the holders of</p>	<p>Our company did not state clearly about the remuneration of the directors in company law nor stipulate for the board meeting to establish it. However, by referencing the contents in Business No. 09302030870 Explanation given by Ministry of Economic Affairs on Mar. 8, 2004 and “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”, the regulations listed on the left has no negative impact on shareholders' equity.</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
	any class of Shares or debentures of the Company, or otherwise in connection with the business of the Company, or to receive salaries in respect of their service as Directors as may be recommended by the compensation committee and determined by the board of Directors, or a combination partly of one such method and partly another, provided that any such determination shall be in accordance with the Applicable Public Company Rules.”	
Any or a plural number of shareholder(s) of a company who has (have) continuously held 3% or more of the total number of outstanding shares for a period of one year or a longer time may, by filing a written proposal setting forth therein the subjects for discussion and the reasons, request the board of directors to call a special meeting of shareholders. If the board of directors fails to give a notice for convening a special meeting of shareholders within 15 days after the filing of the request under the preceding Paragraph, the proposing shareholder(s) may, after obtaining an approval from the competent authority, convene a special meeting of shareholders on his/their own.	Article 16.8 of The Company Law: “If the board of Directors do not within fifteen days from the date of the deposit of the requisition dispatch the notice of an extraordinary general meeting, the requisitionists themselves convene an extraordinary general meeting in accordance with the Applicable Public Company Rules.”	According to Taiwan Certificate No. 0991701319 Letter given by Taiwan Stock Exchange on Apr. 13, 2010: “Explanation: II. (III) Foreign issuer should stipulate the rights for minority shareholders to ask for the gather of temporal board meetings in the company law without the confliction of the laws in registration. The part of which competent agency for the approval of the gathering should be omitted.” Hence, Article 16.8 of The Company Law stipulates that: “If the board of Directors do not within fifteen days from the date of the deposit of the requisition dispatch the notice of an extraordinary general meeting, the requisitionists may themselves convene an extraordinary general meeting in accordance with the Applicable Public Company Rules.”
A company whose shareholders may exercise their voting power in writing	Article 19.6 of The Company Law: “A Member exercising voting power by	According to the explanations from the lawyers of Cayman Islands, shareholders cannot exercise their voting rights by

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
<p>or by way of electronic transmission shall describe in the shareholders' meeting notice the method of exercising their voting power. A shareholder who exercises his/her/its voting power at a shareholders meeting in writing or by way of electronic transmission shall be deemed to have attended the said shareholders' meeting in person, but shall be deemed to have waived his/her/its voting power in respect of any extemporary motion(s) and/or the amendment(s) to the contents of the original proposal(s) at the said shareholders' meeting.</p>	<p>way of a written ballot or by way of an electronic transmission shall be deemed to have appointed the chairman of the general meeting as his proxy to exercise his or her voting right at such general meeting in accordance with the instructions stipulated in the written or electronic document.”</p>	<p>written or electronic form in the board meeting. However, if The Company Law has clear statements about it, then the shareholders can entrust proxies to exercise their voting rights in the meeting by written or electronic form. Still, if the shareholders exercise their voting rights through proxies, this will not be considered as the attendance of board meeting in person. It is determined in Cayman law that shareholders exercised their voting rights by this method will not be considered as attendance of board meeting in person, however, these shareholders enjoy all the rights of exercising their voting rights in written or electronic forms in accordance with ROC laws substantially. Hence, this shall not result in impact on shareholders' equity.</p>
<p>For the following acts involved with major stockholders' equity, a company should have a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares. If the total number of shares represented by the shareholders present at shareholders' meeting is not sufficient to meet the criteria specified in the preceding paragraph, the resolution to be made thereto may be adopted by two-thirds or more of the attending shareholders who represent a majority of the total number of its outstanding shares.</p> <p>1. A company enter into, amend, or terminate any</p>	<p>Stipulated in Article 14.2(f)(g)(h), 14.1(b), 12.1, 14.2(d), 14.2(e) and 14.3 of The Company Law</p>	<p>According to the explanations from the lawyers of Cayman Islands: 1. According to Article 60 of Cayman Islands Company Law, special resolutions refer to the voting methods in the board meeting, where the consent from over two-thirds of the shareholders attended the board meeting in person or entrusted proxies (if the board meeting allows letter of authorization) with voting rights (Follow the regulations in the company law if it has voting methods with higher thresholds) is required for the approval of the resolution. In general Cayman company law, it is often stipulated that the special resolutions should be stated clearly on the notice for board meetings. The written resolution signed by all the shareholders can be considered as special resolution if authorized by company law. When calculating whether a case is considered as majority rule of special resolution with</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
<p>contract for lease of the company's business in whole, or for entrusted business, or for regular joint operation with others; transfer the whole or any essential part of its business or assets; or accept the transfer of another's whole business or assets, which has great bearing on the business operation of the company.</p> <p>2. Modification or Alteration of the Articles of Incorporation</p> <p>3. Any modification or alteration in the Articles of Incorporation prejudicial to the privileges of special shareholders shall also be adopted by a meeting of special shareholders.</p> <p>4. Distribute the surplus profit distributable as dividends and bonuses in whole or in part in the form of new shares to be issued by the company</p> <p>5. A resolution for dissolution, consolidation or merger, or split-up</p>		<p>the requirement of bullet counting method as the voting method, The Company Law can stipulate the number of voting rights enjoyed by each shareholder.</p> <p>2. According to the regulations in Cayman Islands Company Law, matters which requires the approval of Special Resolution include:</p> <ul style="list-style-type: none"> (i) The change in company name (Article 31); (ii) Amend or add regulations in The Company Law (Article 24); (iii) Amend or add purposes, rights or other specially stated matters related to the outlines of the company law (Article 10); (iv) Capital reduction and redemption of preparation money by capital (Article 14 and Article 37(4)(d)); (v) Volunteer dismissal due to reasons other than the incapability to pay off when the debt is due (Article 90(b)(i) and Article 116(c)) (vi) Merger or consolidation with other company <p>According to Cayman Islands Company Law, the matters, which requires the approval of Special Resolution, cannot be passed by the method with lower threshold, majority rule.</p> <p>3. Regarding matters other than the ones listed above, Cayman Islands Company Law did not ask for the requirement of a certain majority, however, The Company Law can further stipulate this.</p> <p>The differences between some regulations in The Company Law and the important matters which protects stockholders' equity listed on the left are described as follows, separately:</p> <p>1. Article 1.1 of The Company Law</p> <p>(1) Regulations in The Company Law: According to Article 1.1 of the</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
		<p>Company Law, "Special Resolution means a resolution passed by a majority of not less than two-thirds of votes cast by such Members as, being entitled so to do, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as special resolution has been duly given." According to the explanations from the lawyers of Cayman Islands: matters which requires the approval by special resolution should include but not limit to: (i) The change in company name; (ii) Amend or add regulations in The Company Law; (iii) Amend or add purposes, rights or other specially stated matters related to the outlines of the company law; (iv) Capital reduction and redemption of preparation money by capital and (v) Volunteer dismissal due to reasons other than the incapability to pay off when the debt is due; (vi) Merger or consolidation with other company. In addition, according to Article 18.1 of The Company Law, "No business shall be transacted at any general meeting unless a quorum is present. Unless otherwise provided in the Statute, the Articles and the Applicable Public Company Rules, Members present in person or by proxy, representing more than one-half of the total outstanding Shares, shall constitute a quorum for any general meeting." In addition, if the company wish to make it as a special resolution, then at least the shareholders who holds over half of the issued stocks of our company should attend in person or entrust proxies and it can be approved by the consent of over two thirds of the votes with voting rights exercised by the attended shareholders (include the ones attended by the entrusted proxy</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
		<p>with letter of authorization).</p> <p>(2) Reasons for the differences According to the explanations of Cayman lawyers, special resolution is the regulation in Cayman Islands Company Law; the matters which requires special resolution should require the approval by board meeting in accordance with the company law based on the regulations in Cayman Islands Company Law; and if any such matters are approved by thresholds lower than special resolution in Cayman Islands Company Law, it is considered as invalid based on the regulations in Cayman Islands Company Law. Hence, The Company Law has stipulated that for the matters regarding the protection of shareholders' equity which requires Supermajority Resolution, if special resolutions are required according to Cayman Islands Company Law, then they will be retained as "special resolution" in the company law; as for the other matters regarding the protection of shareholders' equity which requires supermajority resolution, they will be listed as matters required supermajority resolution in The Company Law.</p> <p>2. Article 14.3 of The Company Law (1) Regulations in The Company Law: According to Article 14.3 of The Company Law: "Subject to the provisions of the Statute, the Articles, and the Applicable Public Company Rules, with regard to the dissolution procedures of the Company, the Company shall pass (a) a Supermajority Resolution, if the Company resolves that it be wound up voluntarily because it is unable to pay its debts as they fall due; or (b) a Special Resolution, if the Company resolves that it be wound up</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
		<p>voluntarily for reasons other than the reason stated in Article 14.3(a) above.” The differences with the important matters, which protects shareholders’ rights, listed on the left are: In The Company Law, the resolution regarding dismissal is based on the reasons for the resolution of dismissal and hence, there are different requirements for “Supermajority Resolution” and “Special resolution”; comparing to this, the important matters, which protects stockholders’ rights, listed on the left, have required that all should be done by “Supermajority Resolution”.</p> <p>(2)Reasons for the differences: According to the opinions of Cayman lawyers, if there is a resolution involving voluntary dismissal of the company for other reasons except the incapability of paying off debts when it is due, then it should be passed as a special resolution, which is in accordance with Cayman Islands Company Laws. From the above, we can know that the differences come from Cayman laws.</p>
<p>1. Shareholders, who have been holding three per cent or more of the total number of issued shares continuously for a period of one year or more, may request in writing the supervisors of the company to institute, for the company, an action against a director of the company. And Taiwan Taipei District Court will be served as the first tribunal for jurisdiction.</p> <p>2. In case the supervisors fails to institute an</p>	<p>Article 25.6 of The Company Law: “Any Member(s) holding 3% or more of the Company’s issued Shares for at least one year may in writing request the Independent Directors of the Audit Committee to bring action against the Directors on behalf of the Company in a court of competent jurisdiction as the court of first instance. If the Independent Directors fail to bring such action within thirty days after the request by the Member, such Member may bring the</p>	<p>According to the explanations from the lawyers of Cayman Islands:</p> <p>1.Cayman Islands Company Laws does not have the concept corresponding to “supervisors”. Hence, the effect of the establishment of supervisors in The Company Law is unclear.</p> <p>2.Regarding on the regulations of shareholders’ relief, according to the Case Law, the appropriate accuser should be the company itself formally rather than the shareholder himself/herself or minority shareholders in a lawsuit alleging the directors performed damagers to the company. Only in a very few exceptions, for example, if the action of the directors causes fraud to minority shareholders and the person that</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
<p>action within 30 days after having received the request, then the shareholders filing such request may institute the action for the company. And Taiwan Taipei District Court will be served as the first tribunal for jurisdiction.</p>	<p>action in a court of competent jurisdiction as the court of first instance in the name of the Company.”</p>	<p>performed the fraud actions is the controller of the company, then the minority shareholder who bears the fraud can ask for a litigation to the court.</p> <p>3. The regulation that Taipei local court in Taiwan will be the first instance court has been added to The Company Law, which may not be performed under Cayman laws. This is because that Cayman court cannot recognize and perform a foreign judgement which are not about money payment before reviewing the basis of law for the disputes.</p> <p>According to the front subparagraph of Paragraph 2 of Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings: “A foreign issuer shall either install an audit committee or a supervisor.” Our company has established an audit committee comprised of all of the Independent Directors, hence, there is no need to establish a supervisor additionally. The differences should not have major negative impact on the shareholders' equity.</p>
<p>1. A company may enter into a share subscription right agreement with its employees or the procedure for the issuance of share subscription warrant.</p> <p>2. The share subscription warrant obtained by any employee of the issuing company shall be non-assignment, except to the heir(s) of the said employee.</p>	<p>Article 11.1 of The Company Law: “Notwithstanding the provision of Article 8.7 Restricted Shares, the Company may, upon approval by a majority of the Directors at a meeting attended by two-thirds or more of the total number of the Directors, adopt incentive programmes and may issue Shares or options, warrants or other similar instruments, to employees of the Company and its Subsidiaries. The rules and procedures governing such incentive</p>	<p>According to the explanations from the lawyers of Cayman Islands, Cayman Islands Company Laws did not stipulate special regulations on employee stock option certificates or the procedure for the issuance of employee stock option certificates. The issuance of employee stock option certificates and whether the certificate can be transferred, etc. should be stipulated in the contracts for employee stock options or on the stock option certificates.</p> <p>Hence, according to the regulations in Cayman laws, if the company wish to limit the transfer of employee stock option certificates, relevant regulations should be stipulated in contracts for employee stock option or the stock option</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
	<p>programme(s) shall be in accordance with policies established by the board of Directors from time to time in accordance with the Statute, the Memorandum and the Articles. After the Company has acquired public company status, the foregoing matter shall be made in accordance with the Applicable Public Company Rules as applied to the Company. 」</p> <p>Article 11.2: "Options, warrants or other similar instruments issued in accordance with Article 11.1 above are not transferable save by inheritance."</p> <p>Article 11.3: "The Company may enter into relevant agreements with employees of the Company and the employees of its Subsidiaries in relation to the incentive programme approved pursuant to Article 11.1 above, whereby employees may subscribe, within a specific period of time, a specific number of the Shares. The terms and conditions of such agreements shall be no less restrictive on the relevant employee than the terms specified in the applicable incentive programme."</p> <p>Article 11.4: "Directors of the Company and its Subsidiaries shall not be eligible for the employee incentive programmes under Article 8.7 or Article</p>	<p>certificates although Article 11 of The Company Law has been amended in accordance with the important matters which protects the shareholders' rights listed on the right.</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
	11.1, provided that directors who are also employees of the Company or its Subsidiaries may participate in an employee incentive programme in their capacity as an employee (and not as a director of the Company or its Subsidiaries).”	
<p>In case the procedure for convening a shareholders' meeting or the method of adopting resolutions thereat is in contrary to any law, ordinance or the company's Articles of Incorporation, a shareholder may enter a petition in the court for annulment of such resolution. And Taiwan Taipei District Court will be served as the first tribunal for jurisdiction.</p>	<p>Article 18.7 of The Company Law: “Nothing in the Articles shall prevent any Member from issuing proceedings in a court of competent jurisdiction for an appropriate remedy in connection with the improper convening of any general meeting or the improper passage of any resolution. The Taipei District Court, R.O.C., shall be the court of the first instance for adjudicating any disputes arising out of the foregoing.”</p>	<p>According to the explanations from the lawyers of Cayman Islands, the regulations in The Company Law listed on the left may not be performed under Cayman laws. This is because that Cayman court cannot recognize and perform a foreign judgement which are not about money payment before reviewing the basis of law for the disputes.</p> <p>The important matters which protects shareholders' equity listed on the right are actually the regulation for the legal rights for the revocation of the appeal of the shareholders. Its legal effect cannot be achieved by the regulations on the law. It requires legal regulations to give the rights to the shareholders in order to abolish an appeal. The regulations in The Company Law listed on the left has a slight difference with the important matters which protects shareholders' equity, however, if the gather procedure of board meetings or its resolution method violates orders or laws, then The Company Law did not limit the rights of the shareholders to ask for a lawsuit or relief to the court. Regarding whether the court which accepted the case will abolish the resolution of the board meeting because of the violation of gather procedure or resolution method with the laws or The Company Laws, it will be reviewed by that court (no matter the court is in ROC or Cayman Islands or other courts in the country with</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
		jurisdiction on its applicable laws to determine whether the shareholders can have the rights to abolish an appeal in accordance with its position. This difference is because of the nature of the rights to abolish an appeal of the shareholders and The Company Law did not limit shareholders to ask for a lawsuit or relief to the court.
<p>In case a director has, in the course of performing his/her duties, committed any act resulting in material damages to the company or in serious violation of applicable laws and/or regulations, but not discharged by a resolution of the shareholders' meeting, the shareholder(s) holding 3% or more of the total number of outstanding shares of the company may, within 30 days after that shareholders' meeting, institute a lawsuit in the court for a judgment in respect of such matter. And Taiwan Taipei District Court will be served as the first tribunal for jurisdiction.</p>	<p>Subparagraph (j) of Paragraph 1 of Article 28.2 of The Company Law: "Subject to the provisions of the Statute, and the Articles or the Applicable Public Company Rules, in the event that he has, in the course of performing his duties, committed any act resulting in material damage to the Company or in serious violation of applicable laws and/or regulations or the Memorandum and the Articles, but has not been removed by the Company pursuant to a Supermajority Resolution vote, then any Member(s) holding 3% or more of the total number of outstanding Shares shall have the right, within thirty days after that general meeting, to petition any competent court for the removal of such Director, at the Company's expense and such Director shall be removed upon the final judgement by such court. For clarification, if a relevant court has competent jurisdiction to adjudicate all of the foregoing matters in a single or a series of</p>	<p>According to the explanations from the lawyers of Cayman Islands:</p> <ol style="list-style-type: none"> 1. Cayman Islands Company Law did not stipulate the minority shareholders can apply for the dismissal of directors to Cayman court specifically. 2. Normally, the procedure for the dismissal of directors is stipulated in The Company Law. It usually stipulates that this resolution should be passed in a board meeting for it to take effect. 3. Regarding on the regulations of shareholders' relief, according to the Case Law, the appropriate accuser should be the company itself formally rather than the shareholder himself/herself or minority shareholders in a lawsuit alleging the directors performed damagers to the company. Only in a very few exceptions, for example, if the action of the directors causes fraud to minority shareholders and the person that performed the fraud actions is the controller of the company, then the minority shareholder who bears the fraud can ask for a litigation to the court. 4. These regulations in the Company Law may not be performed under Cayman laws. This is because that Cayman court cannot recognize and perform a foreign judgement which are not about money payment before reviewing the basis of law for the disputes. However, the directors can be dismissed by the procedure stated in The Company Law.

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
	proceedings, then, for the purpose of this paragraph (i), final judgement shall be given by such competent court.”	The reasons for the differences between The Company Law listed on the left and the important matters which protects shareholders' equity are that Cayman court cannot recognize and perform foreign judgements other than monetary judgements before the substantial trial of the dispute. Hence, they cannot be recognized and performed by Cayman court even if the important matters which protects shareholders' equity are stipulated in The Company Law where Taipei local court in Taiwan may recognize it as the judgement or ruling of the dismissal of directors. Because of this, it has been stipulated in The Company Law that the shareholders should ask for a lawsuit to a court with jurisdiction. This difference is resulted from the regulations in Cayman law regarding the recognition and enforcement of foreign judgement. Hence, the shareholders can still dismiss the directors in accordance with The Company Law.
<ol style="list-style-type: none"> 1. Supervisors of a company shall be elected by the meeting of shareholders if exist, among them at least one supervisor shall have a domicile within the territory of the Republic of China. 2. The term of office of a supervisor shall not exceed three years, but he may be eligible for re-election. 3. In case all supervisors of a company are discharged, the special meeting of shareholders for election of supervisors shall be convened by the board of directors within 60 day. 4. Supervisors shall 		According to the front subparagraph of Paragraph 2 of Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings: “A foreign issuer shall either install an audit committee or a supervisor.” Our company has established an audit committee comprised of all of the Independent Directors (Article 32.6), hence, there is no need to establish a supervisor additionally.

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
<p>supervise the execution of business operations of the company, and may at any time or from time to time investigate the business and financial conditions of the company, inspect the accounting books and documents, and request the board of directors or managerial personnel to make reports thereon.</p> <p>5. Supervisors shall audit the various statements and records prepared for submission to the shareholders' meeting by the board of directors, and shall make a report of their findings and opinions at the meeting of shareholders.</p> <p>6. In performing audit matters, the supervisors may appoint a certified public accountant or lawyer to conduct the auditing in their behalf.</p> <p>7. Supervisors of a company may attend the meeting of the board of directors to their opinions. In case the board of directors or any director commits any act, in carrying out the business operations of the company, in a manner in violation of the laws, regulations, the Articles of Incorporation or the resolutions of the shareholders' meeting, the supervisors shall forthwith advise, by a notice, to the board of</p>		

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
<p>directors or the director, as the case may be, to cease such act.</p> <p>8. Supervisor may each exercise the supervision power individually.</p> <p>9. A supervisor shall not be concurrently a director, a managerial officer or other staff/employee of the company.</p>		
<p>In case a director or supervisor (applicable when a company has supervisors) of a company has created a pledge on the company's shares more than half of the company's shares being held by him/her/it at the time he/she/it is elected, the voting power of the excessive portion of shares shall not be exercised and the excessive portion of shares shall not be counted in the number of votes of shareholders present at the meeting.</p>	<p>Article 24.3 of The Company Law: "If a Director creates or has created security over any Shares held by such Director, such Director shall notify the Company of such security. If at any time the number of the pledged Shares held by a Director exceeds half of the Shares held by such Director at the time of his appointment, then the voting rights attached to the Shares held by such Director at such time shall be reduced, such that the Shares over which security has been created which are in excess of half of the Shares held by such Director at the date of his appointment shall not carry voting rights and shall not be counted in the number of votes casted by the Member at a general meeting."</p>	<p>Article 24.3 of The Company Law stipulates the regulations regarding directors. According to the front subparagraph of Paragraph 2 of Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings: "A foreign issuer shall either install an audit committee or a supervisor." Our company has established an audit committee comprised of all of the Independent Directors, hence, there is no need to establish a supervisor additionally. Hence, the article did not have regulations regarding supervisors.</p>
<p>1. The directors of a company shall have the loyalty and shall exercise the due care of a good administrator in conducting the business operation of the company; and if he/she has acted contrary to this</p>	<p>Article 26.5 of The Company Law: "The Directors shall faithfully carry out their duties with care, and may be held liable for the damages suffered by the Company for any violation of such duty. The Company may by Ordinary</p>	<p>According to the explanations from the lawyers of Cayman Islands:</p> <p>1. Cayman Islands Company Law did not stipulate the substantial regulations on the duties of directors specifically. According to Case Law applicable in Cayman Islands, directors should take on (1) fiduciary duties and (2) duty of care as a kind manager from the</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
<p>provision, shall be liable for the damages to be sustained by the company there-from. In case the behavior is done for himself/herself or on behalf of another person, the meeting of shareholders may, by a resolution, consider the earnings in such an act as earnings of the company.</p> <p>2. If the directors of a company have, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, he/she shall be liable, jointly and severally, for the damage to such other person.</p> <p>3. Managers or supervisors of a company should be liable to compensation as the directors of a company within the scope of their duties.</p>	<p>Resolution of any general meeting demand the Directors to disgorge any profit realised from such violation and regard the profits realised as the profits of the Company as if such violation was made for the benefit of the Company. The Directors shall indemnify the Company for any losses or damages incurred by the Company if such loss or damage is incurred as a result of a Director's breach of laws or regulations in the course of performing his duties. The Directors and the Company shall jointly and severally indemnify the third party for any losses or damages incurred by such third party if such loss or damage is incurred as a result of a Director's breach of laws or regulations in the course of performing his duties. The aforementioned duties of the Directors shall also apply to the managers of the Company."</p>	<p>company. A company can ask for compensation if a director violates the aforementioned duties. In addition, if a director violates his/her duties and has obtained benefits from the violation, then the benefits shall belong to the company.</p> <p>2. According to the principle of Case Law, an action performed by a director act on behalf of the company will be considered as the action of the company itself during the process of managing company business. If its action resulted in any damages to the third parties, then it should be the company rather than that director who had responsibilities to the third parties for its action. The third parties asked for compensation were not able to ask upon in accordance with the regulations in The Company Law and add the duties upon the shareholders. The third parties who are not shareholders cannot perform actions based on The Company Law. If the company has to take on responsibilities to third parties for damage compensation because the violation of duties by a director, then the company can ask for compensation from the director that caused the damages.</p> <p>3. Managers normally do not have fiduciary duties from the company. There is no enforcement power even if there are regulations in company law since the managers are not the party in the company law. Agreement with the managers on the aforementioned duties should be made by the method of contract.</p> <p>According to the explanations above, although the important matters, which protects stockholders' equity, has been stipulated in Article 26.5 of The Company Law, if a director performs business operations which violates loyal duties and results in damages to others,</p>

Matters for protecting stockholders' equity Items in the checklist	Content stipulated in Company Law	Reasons for the differences and explanations
		<p>then the others may not have the basis of the asking rights to that director with Cayman laws, however, they may ask for compensation directly. Also, the basis of the asking rights cannot be created even if there are regulations in The Company Law stipulated that a director should take on joint responsibility for compensation to others as the company.</p> <p>In addition, although Article 26.5 of The Company Law has stipulated that the duties in that article is also applicable to the managers, still, agreement with the managers should be made by the method of contract in accordance with Cayman laws. Hence, if the matters regarding the responsibility of the managers stated here, which protects stockholders' equity, are to be implemented, special agreements should be made between the company and the managers by contracts.</p>
<p>Where a juristic person acts as a shareholder of a company, its authorized representative may also be elected as a director or supervisor of the company. If there is a plural number of such authorized representatives, each of them may be so elected, but such authorized representatives may not concurrently be selected or serve as the director or supervisor of the company.</p>	<p>Article 27.4 of The Company Law: "If a Member is judicial person, the authorised representative of such Member may be elected as Director. If such Member has more than one authorised representative, each of the authorised representatives of such Member may be elected as Directors respectively."</p>	<p>Article 27.4 of The Company Law stipulates the correspondence of shareholders as juridical person.</p> <p>According to the front subparagraph of Paragraph 2 of Article 28-4 of Taiwan Stock Exchange Corporation Rules Governing Review of Securities Listings: "A foreign issuer shall either install an audit committee or a supervisor." Our company has established an audit committee comprised of all of the Independent Directors, hence, there is no need to establish a supervisor additionally. Hence, the regulations in the aforementioned law do not include supervisors. The difference should not cause major negative impact on stockholders' equity rights.</p>

(VII) Others

The registration of our company and relevant information for explanations of general differences in China and Taiwan stipulated in the regulations for protection of R.O.C.

stockholders' equity can be inquired from Market Operation Post System
(<http://mops.twse.com.tw/mops/web/t132sb02>)

Consolidated Financial Statement and Accounting Audit Report for 2019

**Victory New Materials Limited Company
and Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2019 and 2018 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Victory New Materials Limited Company

Opinion

We have audited the accompanying consolidated financial statements of Victory New Materials Limited Company (the “Company”) and its subsidiaries (collectively referred to as the “Group”), which comprise the consolidated balance sheets as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies. (collectively referred to as the “consolidated financial statements”).

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), IFRIC Interpretations (IFRIC), and SIC Interpretations (SIC) endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the consolidated financial statements for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission of the Republic of China on February 25, 2020, and auditing standards generally accepted in the Republic of China. We conducted our audit of the consolidated financial statements for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Attestation of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with The Norm of Professional Ethics for Certified Public Accountant of the Republic of China, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

The description of the key audit matter is as follows:

Cash and Cash Equivalents

As of December 31, 2019, the Group's cash and cash equivalents and time deposits with original maturities of more than three months (recognized as financial assets at amortized cost - current) amounted to NT\$3,868,276 thousand, which represented 63% of the Group's total assets, was significant. Refer to Notes 4, 6 and 7 to the accompanying consolidated financial statements for the related accounting policies and detailed disclosures.

There are inherent risks associated with cash and cash equivalents as well as time deposits with original maturities of more than three months. Therefore, we identified cash and cash equivalents and time deposits with original maturities of more than three months as a key audit matter as of December 31, 2019.

The main audit procedures that we performed in respect of cash and cash equivalents and times deposits are as follows: We obtained a complete understanding of the controls over cash and cash equivalents and time deposits with original maturities of more than three months and performed tests thereon. We selected samples of bank receipts and withdrawals from the ledger to verify the legitimacy of bank receipts and examined the appropriateness of the approval of vouches. We obtained details of the Group's bank deposits and verified their balances to the corresponding bank statements. In addition, we issued bank confirmations to all correspondent banks and verified the reconciliation of bank deposit balances with the responses of bank confirmations. We also confirmed that the consolidated financial statements for any restricted bank deposits stated were properly disclosed.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRS, IAS, IFRIC, and SIC endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance, including the supervisors, are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

As part of an audit in accordance with the auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine a matter that was of most significance in the audit of the consolidated financial statements for the year ended December 31, 2019 and is therefore the key audit matter. We describe this matter in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditors' report are Ming-Hsing Cho and Ching-Pin Shih.

Deloitte & Touche
Taipei, Taiwan
Republic of China

April 29, 2020

Notice to Readers

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

For the convenience of readers, the independent auditors' report and the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language independent auditors' report and consolidated financial statements shall prevail.

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

ASSETS	2019		2018	
	Amount	%	Amount	%
CURRENT ASSETS				
Cash and cash equivalents (Note 6)	\$ 3,683,876	60	\$ 3,221,091	48
Financial assets at amortized cost - current (Notes 7 and 8)	184,400	3	1,510,407	22
Trade receivables (Notes 9 and 21)	309,314	5	426,332	7
Other receivables (Note 9)	2,327	-	16,935	-
Inventories (Note 10)	16,784	-	14,885	-
Prepayment for leases (Note 15)	-	-	13,258	-
Prepayments (Note 16)	40,990	1	10,291	-
Non-current assets held for sale (Note 11)	-	-	5,143	-
Total current assets	4,237,691	69	5,218,342	77
NON-CURRENT ASSETS				
Property, plant and equipment (Note 13)	1,171,598	19	914,812	13
Right-of-use assets (Note 14)	650,731	11	-	-
Deferred tax assets (Note 23)	-	-	2,506	-
Prepayment for equipment (Note 16)	21,012	-	-	-
Refundable deposits (Notes 15 and 16)	41,471	1	43,080	1
Long-term prepayments for leases (Note 15)	-	-	609,451	9
Total non-current assets	1,884,812	31	1,569,849	23
TOTAL	\$ 6,122,503	100	\$ 6,788,191	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
Trade payables (Note 17)	\$ 96,222	2	\$ 97,330	2
Other payables (Note 18)	102,982	2	128,056	2
Current tax liabilities (Note 23)	1,400	-	7,642	-
Lease liabilities - current (Note 14)	28,870	-	-	-
Total current liabilities	229,474	4	233,028	4
NON-CURRENT LIABILITIES				
Deferred tax liabilities (Note 23)	5,863	-	5,235	-
Lease liabilities - non-current (Note 14)	30,272	-	-	-
Total non-current liabilities	36,135	-	5,235	-
Total liabilities	265,609	4	238,263	4
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
Share capital	1,529,229	25	1,390,208	21
Capital surplus	2,540,814	42	2,540,814	37
Retained earnings	2,467,160	40	3,072,309	45
Other equity	(680,309)	(11)	(453,403)	(7)
Total equity attributable to owners of the Company	5,856,894	96	6,549,928	96
Total equity	5,856,894	96	6,549,928	96
TOTAL	\$ 6,122,503	100	\$ 6,788,191	100

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated April 29, 2020)

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018

(In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2019		2018	
	Amount	%	Amount	%
OPERATING REVENUE (Note 21)	\$ 1,157,023	100	\$ 2,071,989	100
OPERATING COSTS (Notes 10 and 22)	<u>1,370,878</u>	<u>118</u>	<u>1,722,629</u>	<u>83</u>
GROSS (LOSS) PROFIT	<u>(213,855)</u>	<u>(18)</u>	<u>349,360</u>	<u>17</u>
OPERATING EXPENSES (Notes 22 and 27)				
Selling and marketing expenses	12,232	1	23,309	1
General and administration expenses	62,408	6	54,533	3
Research and development expenses	<u>81,500</u>	<u>7</u>	<u>144,360</u>	<u>7</u>
Total operating expenses	<u>156,140</u>	<u>14</u>	<u>222,202</u>	<u>11</u>
PROFIT (LOSS) FROM OPERATIONS	<u>(369,995)</u>	<u>(32)</u>	<u>127,158</u>	<u>6</u>
NON-OPERATING INCOME AND EXPENSES (Note 22)				
Other income	39,996	3	51,283	3
Other losses	(100,304)	(9)	(5,633)	-
Finance costs	<u>(3,574)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>(63,882)</u>	<u>(6)</u>	<u>45,650</u>	<u>3</u>
PROFIT (LOSS) BEFORE INCOME TAX FROM CONTINUING OPERATIONS	(433,877)	(38)	172,808	9
INCOME TAX EXPENSE (Note 23)	<u>4,447</u>	<u>-</u>	<u>38,109</u>	<u>2</u>
NET (LOSS) PROFIT FOR THE YEAR	<u>(438,324)</u>	<u>(38)</u>	<u>134,699</u>	<u>7</u>
OTHER COMPREHENSIVE LOSS				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences arising on translation to the presentation currency	<u>(226,906)</u>	<u>(19)</u>	<u>(135,252)</u>	<u>(7)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR	<u>\$ (665,230)</u>	<u>(57)</u>	<u>\$ (553)</u>	<u>-</u>
NET (LOSS) PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ (438,324)</u>	<u>(38)</u>	<u>\$ 134,699</u>	<u>6</u>

(Continued)

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Except Earnings (Loss) Per Share)

	2019		2018	
	Amount	%	Amount	%
TOTAL COMPREHENSIVE INCOME (LOSS)				
ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ (665,230)</u>	<u>(57)</u>	<u>\$ (553)</u>	<u>-</u>
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic	<u>\$ (2.87)</u>		<u>\$ 0.88</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated April 29, 2020)

(Concluded)

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(In Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of the Company						Other Equity Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
	Share Capital (Note 20)	Capital Surplus (Note 20)	Retained Earnings (Note 20)			Unappropriated Earnings		
			Legal Reserve	Special Reserve				
BALANCE AT JANUARY 1, 2018	\$ 1,263,825	\$ 2,540,814	\$ 338,054	\$ 257,634	\$ 2,506,220	\$ (318,151)	\$ 6,588,396	
Appropriation of 2017 earnings								
Legal reserve	-	-	83,517	-	(83,517)	-	-	
Special reserve	-	-	-	60,517	(60,517)	-	-	
Cash dividends distributed by the Company	-	-	-	-	(37,915)	-	(37,915)	
Share dividends distributed by the Company	<u>126,383</u>	-	-	-	<u>(126,383)</u>	-	-	
	<u>126,383</u>	-	<u>83,517</u>	<u>60,517</u>	<u>(308,332)</u>	-	<u>(37,915)</u>	
Net profit for the year ended December 31, 2018	-	-	-	-	134,699	-	134,699	
Other comprehensive loss for the year ended December 31, 2018, net of income tax	-	-	-	-	-	(135,252)	(135,252)	
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	<u>134,699</u>	<u>(135,252)</u>	<u>(553)</u>	
BALANCE AT DECEMBER 31, 2018	1,390,208	2,540,814	421,571	318,151	2,332,587	(453,403)	6,549,928	
Appropriation of 2018 earnings								
Legal reserve	-	-	13,470	-	(13,470)	-	-	
Special reserve	-	-	-	135,252	(135,252)	-	-	
Cash dividends distributed by the Company	-	-	-	-	(27,804)	-	(27,804)	
Share dividends distributed by the Company	<u>139,021</u>	-	-	-	<u>(139,021)</u>	-	-	
	<u>139,021</u>	-	<u>13,470</u>	<u>135,252</u>	<u>(315,547)</u>	-	<u>(27,804)</u>	
Net loss for the year ended December 31, 2019	-	-	-	-	(438,324)	-	(438,324)	
Other comprehensive loss for the year ended December 31, 2019, net of income tax	-	-	-	-	-	(226,906)	(226,906)	
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	<u>(438,324)</u>	<u>(226,906)</u>	<u>(665,230)</u>	
BALANCE AT DECEMBER 31, 2019	<u>\$ 1,529,229</u>	<u>\$ 2,540,814</u>	<u>\$ 435,041</u>	<u>\$ 453,403</u>	<u>\$ 1,578,716</u>	<u>\$ (680,309)</u>	<u>\$ 5,856,894</u>	

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated April 29, 2020)

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) before income tax	\$ (433,877)	\$ 172,808
Adjustments for:		
Depreciation expenses	67,905	23,332
Amortization expenses	-	9,987
Finance costs	3,574	-
Interest income	(39,996)	(51,283)
Loss on disposal of property, plant and equipment	10,707	-
Loss on disposal of non-current assets held for sale	769	-
Write-downs of inventories	5,008	-
Impairment loss recognized on property, plant and equipment and non-current assets held for sale	97,169	17,038
Changes in operating assets and liabilities		
Trade receivables	105,019	674,987
Other receivables	503	7,113
Inventories	(7,558)	17,376
Prepayments	(39,266)	316
Trade payables	2,625	(100,991)
Other payables	(10,035)	(35,115)
Cash (used in) generated from operations	(237,453)	735,568
Interest received	54,010	49,561
Interest paid	(3,574)	-
Income tax paid	(7,416)	(87,739)
Net cash (used in) generated from operating activities	<u>(194,433)</u>	<u>697,390</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of financial assets at amortized cost	(1,731,939)	(2,901,824)
Proceeds from sale of financial assets at amortized cost	3,068,120	2,901,824
Proceeds from disposal of non-current assets held for sale	4,481	-
Payments for property, plant and equipment	(448,876)	(288,802)
Proceeds from disposal of property, plant and equipment	255	-
Increase in prepayments for equipment	(21,827)	-
Increase in prepayments for leases	-	(136,030)
Net cash generated from (used in) investing activities	<u>870,214</u>	<u>(424,832)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of the principal portion of lease liabilities	(28,970)	-
Dividends paid to owners of the Company	(26,390)	(35,987)
Net cash used in financing activities	<u>(55,360)</u>	<u>(35,987)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES		
	<u>(157,636)</u>	<u>(72,213)</u>

(Continued)

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars)

	2019	2018
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 462,785	\$ 164,358
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>3,221,091</u>	<u>3,056,733</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 3,683,876</u>	<u>\$ 3,221,091</u>

The accompanying notes are an integral part of the consolidated financial statements.

(With Deloitte & Touche auditors' report dated April 29, 2020)

(Concluded)

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018 (In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

1. GENERAL INFORMATION

Victory New Materials Limited Company (the “Company”) was incorporated in the British Cayman Islands in June 2012. The Company was established after an organizational restructuring for listing on the Taiwan Stock Exchange (TWSE).

The Company’s shares have been listed on the TWSE since January 14, 2014.

The functional currency of the Company is the Renminbi (“RMB”). For greater comparability and consistency of financial reporting, the consolidated financial statements are presented in the New Taiwan dollar (“NTD”) since the Company’s shares are listed on the Taiwan Stock Exchange.

2. APPROVAL OF FINANCIAL STATEMENTS

The Company applied to extend the reporting deadline of the consolidated financial statements for the year ended December 31, 2019 to April 30, 2020 due to the impact of the COVID-19, which was approved by the Financial Supervisory Commission on March 27, 2020, with Letter No. 1090336570 issued by the FSC. The consolidated financial statements were approved by the Company’s board of directors on April 29, 2020.

3. APPLICATION OF NEW, AMENDED AND REVISED STANDARDS AND INTERPRETATIONS

- a. Initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Interpretations of IFRSC (IFRIC), and Interpretations of SIC (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the Financial Supervisory Commission

Except for the following, the initial application of the amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed and issued into effect by the FSC did not have material impact on the Group’s accounting policies:

IFRS 16 “Leases”

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessee and lessor. It supersedes IAS 17 “Leases”, IFRIC 4 “Determining whether an Arrangement contains a Lease”, and a number of related interpretations. Refer to Note 4 for information relating to the relevant accounting policies.

Definition of a lease

The Group elects to apply the guidance of IFRS 16 in determining whether contracts are, or contain, a lease only to contracts entered into (or changed) on or after January 1, 2019. Contracts identified as containing a lease under IAS 17 and IFRIC 4 are not reassessed and are accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases on the consolidated balance sheets except for those whose payments under low-value asset and short-term leases are recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group presents the depreciation expense charged on right-of-use assets separately from the interest expense accrued on lease liabilities; interest is computed using the effective interest method. On the consolidated statements of cash flows, cash payments for the principal portion of lease liabilities are classified within financing activities; cash payments for the interest portion are classified within operating activities. Prior to the application of IFRS 16, payments under operating lease contracts were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights in China were recognized as prepayments for leases. Cash flows for operating leases were classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables were recognized on the consolidated balance sheets for contracts classified as operating leases.

The Group elects to apply IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized in retained earnings on January 1, 2019. Comparative information is not restated.

Lease liabilities were recognized on January 1, 2019 for leases previously classified as operating leases under IAS 17. Lease liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments. The Group applies IAS 36 to all right-of-use assets.

The lessee's weighted average incremental borrowing rate applied to lease liabilities recognized on January 1, 2019 is 4.75%. The difference between the (i) lease liabilities recognized and (ii) operating lease commitments disclosed under IAS 17 on December 31, 2018 is explained as follows:

The future minimum lease payments of non-cancellable operating lease commitments on December 31, 2018	<u>\$ 101,246</u>
Undiscounted amounts on January 1, 2019	<u>\$ 101,246</u>
Discounted amounts using the incremental borrowing rate on January 1, 2019	<u>\$ 87,202</u>
Lease liabilities recognized on January 1, 2019	<u>\$ 87,202</u>

The impact on assets, liabilities and equity as of January 1, 2019 from the initial application of IFRS 16 is set out as follows:

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Prepayments for leases	\$ 13,258	\$ (13,258)	\$ -
Prepayments	10,291	(6,976)	3,315
Long-term prepayments for leases	609,451	(609,451)	-
Right-of-use assets	<u>-</u>	<u>716,887</u>	<u>716,887</u>
	<u>\$ 633,000</u>	<u>\$ 87,202</u>	<u>\$ 720,202</u>

(Continued)

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on January 1, 2019
Lease liabilities - current	\$ -	\$ 20,771	\$ 20,771
Lease liabilities - non-current	<u>-</u>	<u>66,431</u>	<u>66,431</u>
	<u>\$ -</u>	<u>\$ 87,202</u>	<u>\$ 87,202</u>

(Concluded)

Except for the above impact, as of the date the consolidated financial statements were authorized for issue, the Group assessed that the application of other standards and interpretations would not have an impact on the Group's financial position and financial performance.

b. The IFRSs endorsed by the FSC for application starting from 2020

New, Amended or Revised Standards and Interpretations (the "New IFRSs")	Effective Date Announced by IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 "Interest Rate Benchmark Reform"	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020 (Note 3)

Note 1: The Group shall apply these amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period.

Note 2: The Group shall apply these amendments retrospectively for annual reporting periods beginning on or after January 1, 2020.

Note 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

c. New IFRSs in issue but not yet endorsed and issued into effect by the FSC

New IFRSs	Effective Date Announced by IASB (Note)
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets between an Investor and its Associate or Joint Venture"	To be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

Note: Unless stated otherwise, the above New IFRSs are effective for annual reporting periods beginning on or after their respective effective dates.

As of the date the consolidated financial statements were authorized for issue, the Group is continuously assessing the possible impact that the application of other standards and interpretations will have on the Group's financial position and financial performance and will disclose the relevant impact when the assessment is completed.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers, and IFRSs as endorsed and issued into effect by the FSC.

b. Basis of preparation

The consolidated financial statements have been prepared on the historical cost basis except for the financial instruments which are measured at fair value.

The fair value measurements, which are grouped into Levels 1 to 3 based on the degree to which the fair value measurement inputs are observable and based on the significance of the inputs to the fair value measurement in its entirety, are described as follows:

- 1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities;
- 2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 3) Level 3 inputs are unobservable inputs for an asset or liability.

c. Classification of current and non-current assets and liabilities

Current assets include:

- 1) Assets held primarily for the purpose of trading;
- 2) Assets expected to be realized within 12 months after the reporting period; and
- 3) Cash and cash equivalents unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

Current liabilities include:

- 1) Liabilities held primarily for the purpose of trading;
- 2) Liabilities due to be settled within 12 months after the reporting period, even if an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the reporting period and before the consolidated financial statements are authorized for issue; and
- 3) Liabilities for which the Group does not have an unconditional right to defer settlement for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Assets and liabilities that are not classified as current are classified as non-current.

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries).

Income and expenses of subsidiaries acquired or disposed of during the period are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Company.

All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the interests of the Group and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the owners of the Company.

Refer to Note 12, Tables 5 and 6 for the detailed information of subsidiaries (including the percentages of ownership and main businesses).

e. Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (i.e., foreign currencies) are recognized at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Exchange differences on monetary items arising from settlement or translation are recognized in profit or loss in the period in which they arise.

Non-monetary items measured at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Exchange differences arising on the retranslation of non-monetary items are included in profit or loss for the period except for exchange differences arising from the retranslation of non-monetary items in respect of which gains and losses are recognized directly in other comprehensive income, in which case, the exchange differences are also recognized directly in other comprehensive income.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

For the purpose of presenting consolidated financial statements, the functional currencies of the Company and the group entities (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the NTD, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income. The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the group entities into the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories consist of raw materials, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at weighted-average cost on the balance sheet date.

g. Property, plant and equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment in the course of construction are carried at cost, less any recognized impairment loss. Cost includes professional fees and borrowing costs eligible for capitalization. Such assets are depreciated and classified to the appropriate categories of property, plant and equipment when completed and ready for their intended use.

Depreciation on property, plant and equipment is recognized using the straight-line method. Each significant part is depreciated separately. The estimated useful lives, residual values and depreciation methods are reviewed at the end of each reporting period, with the effects of any changes in estimates accounted for on a prospective basis.

On derecognition of an item of property, plant and equipment, the difference between the sales proceeds and the carrying amount of the asset is recognized in profit or loss.

h. Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Corporate assets are allocated to the smallest group of cash-generating units on a reasonable and consistent basis of allocation.

The recoverable amount is the higher of fair value less costs to sell or value in use. If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount, with the resulting impairment loss recognized in profit or loss.

When an impairment loss is subsequently reversed, the carrying amount of the corresponding asset or cash-generating unit is increased to the revised estimate of its recoverable amount, but only to the extent of the carrying amount that would have been determined had no impairment loss been recognized on the asset or cash-generating unit in prior years. A reversal of an impairment loss is recognized in profit or loss.

i. Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the non-current asset is available for immediate sale in its present condition. To meet the criteria for the sale being highly probable, the appropriate level of management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Recognition of depreciation of those assets would cease.

j. Financial instruments

Financial assets and financial liabilities are recognized when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss.

1) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

a) Measurement categories

Financial asset is classified as financial assets at amortized cost.

Financial assets at amortized cost

Financial assets that meet the following conditions are subsequently measured at amortized cost:

- i. The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- ii. The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, trade receivables at amortized cost, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of such a financial asset, except for:

- i. Purchased or originated credit-impaired financial assets, for which interest income is calculated by applying the credit-adjusted effective interest rate to the amortized cost of such financial assets; and
- ii. Financial assets that are not credit impaired on purchase or origination but have subsequently become credit impaired, for which interest income is calculated by applying the effective interest rate to the amortized cost of such financial assets in subsequent reporting periods.

Cash equivalents include time deposits with original maturities within three months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

The Group recognizes a loss allowance for expected credit losses on financial assets at amortized cost (including trade receivables).

The Group always recognizes lifetime Expected Credit Loss (ECL) for trade receivables, lease receivables and contract assets. For all other financial instruments, the Group recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Expected credit losses reflect the weighted average of credit losses with the respective risks of a default occurring as the weights. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

c) Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset at amortized cost in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss.

2) Equity instruments

Equity instruments issued by a group entity are recognized at the proceeds received, net of direct issue costs.

3) Financial liabilities

a) Subsequent measurement

All financial liabilities are measured at amortized cost using the effective interest method:

b) Derecognition of financial liabilities

The difference between the carrying amount of a financial liability derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

k. Revenue recognition

The Group identifies contracts with customers, allocates the transaction price to the performance obligations and recognizes revenue when performance obligations are satisfied.

For contracts where the period between the date on which the Group transfers a promised good or service to a customer and the date on which the customer pays for that good or service is one year or less, the Group does not adjust the promised amount of consideration for the effects of a significant financing component.

Revenue from the sale of goods comes from sale of various soles and related shoe materials. Sales is recognized as revenue when the goods are delivered to the customer's specific location and signed because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Sales revenue and trade receivables are recognized concurrently.

The Group does not recognize revenue on materials delivered to subcontractors because this delivery does not involve a transfer of control.

l. Leasing

2019

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease.

The Group as lessee

The Group recognizes right-of-use assets and lease liabilities for all leases at the commencement date of a lease, except for short-term leases and low-value asset leases accounted for applying a recognition exemption where lease payments are recognized as expenses on a straight-line basis over the lease terms.

Right-of-use assets are initially measured at cost, which comprises the initial measurement of lease liabilities adjusted for lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs needed to restore the underlying assets, and less any lease incentives received. Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for any remeasurement of the lease liabilities. Right-of-use assets are presented on a separate line in the consolidated balance sheets.

Right-of-use assets are depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms.

Lease liabilities are initially measured at the present value of the lease payments, which comprise fixed payments and in-substance fixed payments. The lease payments are discounted using the interest rate implicit in a lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the lessee's incremental borrowing rate.

Subsequently, lease liabilities are measured at amortized cost using the effective interest method, with interest expense recognized over the lease terms. When there is a change in future lease payments resulting from a change in a lease term, the Group remeasures the lease liabilities with a corresponding adjustment to the right-of-use-assets. However, if the carrying amount of the right-of-use assets is reduced to zero, any remaining amount of the remeasurement is recognized in profit or loss. Lease liabilities are presented on a separate line in the consolidated balance sheets.

2018

All leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognized as an expense on a straight-line basis over the lease term.

m. Employee benefits

1) Short-term employee benefits

Liabilities recognized in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

2) Retirement benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered services entitling them to the contributions.

n. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

1) Current tax

Adjustments of prior years' tax liabilities are added to or deducted from the current year's tax provision.

2) Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered. A previously unrecognized deferred tax asset is also reviewed at the end of each reporting period and recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liabilities are settled or the assets are realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3) Current and deferred taxes for the year

Current and deferred taxes are recognized in profit or loss.

5. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, management is required to make judgments, estimations, and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised if the revisions affect only that period or in the period of the revisions and future periods if the revisions affect both current and future periods.

After management's assessment, there are no critical accounting policies, estimates and underlying assumptions adopted by the Group.

6. CASH AND CASH EQUIVALENTS

	<u>December 31</u>	
	2019	2018
Cash on hand	\$ 676	\$ 864
Checking accounts and demand deposits	3,683,200	215,043
Cash equivalent		
Time deposits	<u>-</u>	<u>3,005,184</u>
	<u>\$ 3,683,876</u>	<u>\$ 3,221,091</u>

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	<u>December 31</u>	
	2019	2018
Time deposits with original maturities of more than 3 months	<u>\$ 184,400</u>	<u>\$ 1,510,407</u>

The ranges of interest rates for time deposits with original maturities of more than 3 months were approximately 2.72925% and 1.95000% to 3.01188% per annum as of December 31, 2019 and 2018, respectively.

8. CREDIT RISK MANAGEMENT FOR INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments are classified as at amortized cost.

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>At amortized cost</u>		
Gross carrying amount	\$ 184,400	\$ 1,510,407
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 184,400</u>	<u>\$ 1,510,407</u>

The credit risk of financial instruments such as bank deposits is measured and monitored by the finance department. The Company selects the trading partners and the performance parties are banks with good credit ratings.

9. TRADE RECEIVABLES AND OTHER RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	<u>\$ 309,314</u>	<u>\$ 426,332</u>
<u>Other receivables</u>		
Interest receivable	\$ 2,327	\$ 16,432
Others	<u>-</u>	<u>503</u>
	<u>\$ 2,327</u>	<u>\$ 16,935</u>

The average credit period for sales of goods was 90 to 120 days. The Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

The Group applies the simplified approach to provide for expected credit loss prescribed by IFRS 9, which permits the use of lifetime expected loss provision for all trade receivables. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished according to the Group's different customer base.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. For trade receivables that have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivables due. Where recoveries are made, these are recognized in profit or loss.

The following table details the loss allowance of trade receivables based on the Group's provision matrix.

December 31, 2019

	Not Past Due	Less than 60 Days	Total
Expected credit loss rate	0%	0%	
Gross carrying amount	\$ 309,314	\$ -	\$ 309,314
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 309,314</u>	<u>\$ -</u>	<u>\$ 309,314</u>

December 31, 2018

	Not Past Due	Less than 60 Days	Total
Expected credit loss rate	0%	0%	
Gross carrying amount	\$ 426,332	\$ -	\$ 426,332
Loss allowance (Lifetime ECL)	<u>-</u>	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 426,332</u>	<u>\$ -</u>	<u>\$ 426,332</u>

10. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Raw materials	\$ 10,585	\$ 9,618
Work-in-process	3,068	2,735
Finished goods	<u>3,131</u>	<u>2,532</u>
	<u>\$ 16,784</u>	<u>\$ 14,885</u>

The costs of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 were \$1,370,878 thousand and \$1,722,629 thousand, respectively. The cost of goods sold included inventory write-downs of \$5,008 thousand and \$0 thousand.

11. NON-CURRENT ASSETS HELD FOR SALE

	Equipment
<u>Carrying amount of non-current assets held for sale</u>	
Cost	\$ 34,859
Accumulated depreciation	(13,007)
Impairment losses	(17,038)
Effect of foreign currency exchange differences	<u>329</u>
Balance at December 31, 2018	5,143
Sales proceeds	(4,481)
Loss on disposal of non-current assets	(769)
Effect of foreign currency exchange differences	<u>107</u>
Balance at December 31, 2018	<u>\$ -</u>

The equipment disposal of subsidiary Jinjiang Chengchang Shoes Industry Co., Ltd. was reclassified to non-current assets held for sale in the fourth quarter of 2018, and its net fair value was the recoverable amount. The recoverable amount was less than the carrying amount, and the impairment loss recognized was \$17,038 thousand.

Subsidiary Jinjiang Chengchang Shoes Industry Co., Ltd. disposed of the non-current assets held for sale and offset the purchase price of machine for \$4,481 thousand (RMB981 thousand) in January 2020, which generated a loss of \$769 thousand (RMB169 thousand).

12. SUBSIDIARIES

Investor	Investee	Nature of Activities	Percentage of Ownership (%)	
			December 31	
			2019	2018
Victory New Materials Limited Company	Super Light Shoe Soles Co., Ltd.	Holding company	100.00	100.00
	Century Victory New Materials Co., Ltd.	Manufactures and sells various soles and related shoe materials	100.00	100.00
Super Light Co., Ltd. Hong Kong Chengchang Co., Ltd.	Chengchang Shoes Industry Co., Ltd.	Holding company	100.00	100.00
	Jinjiang Chengchang Shoes Industry Co., Ltd.	Manufactures and sells various soles and related shoe materials	100.00	100.00

13. PROPERTY, PLANT AND EQUIPMENT

	Machinery and Equipment	Transportation Equipment	Office Equipment	Property under Construction	Total
<u>Cost</u>					
Balance at January 1, 2019	\$ 256,293	\$ 19,864	\$ 4,952	\$ 731,897	\$ 1,013,006
Additions	11,493	-	-	423,022	434,515
Disposals	(19,184)	-	-	-	(19,184)
Effect of foreign currency exchange differences	(10,000)	(742)	(185)	(43,128)	(54,055)
Balance at December 31, 2019	<u>\$ 238,602</u>	<u>\$ 19,122</u>	<u>\$ 4,767</u>	<u>\$ 1,111,791</u>	<u>\$ 1,374,282</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2019	\$ 79,111	\$ 15,144	\$ 3,939	\$ -	\$ 98,194
Depreciation expenses	22,345	1,582	207	-	24,134
Impairment losses recognized	94,879	1,829	461	-	97,169
Disposals	(8,617)	-	-	-	(8,617)
Effect of foreign currency exchange differences	(7,332)	(692)	(172)	-	(8,196)
Balance at December 31, 2019	<u>\$ 180,386</u>	<u>\$ 17,863</u>	<u>\$ 4,435</u>	<u>\$ -</u>	<u>\$ 202,684</u>
Carrying amounts at December 31, 2019	<u>\$ 58,216</u>	<u>\$ 1,259</u>	<u>\$ 332</u>	<u>\$ 1,111,791</u>	<u>\$ 1,171,598</u>
<u>Cost</u>					
Balance at January 1, 2018	\$ 239,613	\$ 20,277	\$ 5,055	\$ 501,231	\$ 766,176
Additions	57,531	-	-	245,617	303,148
Reclassified as non-current assets held for sale	(34,859)	-	-	-	(34,859)
Effect of foreign currency exchange differences	(5,992)	(413)	(103)	(14,951)	(21,459)
Balance at December 31, 2018	<u>\$ 256,293</u>	<u>\$ 19,864</u>	<u>\$ 4,952</u>	<u>\$ 731,897</u>	<u>\$ 1,013,006</u>
<u>Accumulated depreciation and impairment</u>					
Balance at January 1, 2018	\$ 73,345	\$ 13,000	\$ 3,810	\$ -	\$ 90,155
Depreciation expenses	20,665	2,456	211	-	23,332
Reclassified as non-current assets held for sale	(13,007)	-	-	-	(13,007)
Effect of foreign currency exchange differences	(1,892)	(312)	(82)	-	(2,286)
Balance at December 31, 2018	<u>\$ 79,111</u>	<u>\$ 15,144</u>	<u>\$ 3,939</u>	<u>\$ -</u>	<u>\$ 98,194</u>
Carrying amounts at December 31, 2018	<u>\$ 177,182</u>	<u>\$ 4,720</u>	<u>\$ 1,013</u>	<u>\$ 731,897</u>	<u>\$ 914,812</u>

As a result of the decline in market sales of one of the products in Subsidiary Jinjiang Chengchang Shoes Industry Co., Ltd., the estimated future cash flows expected to arise from the machinery equipment, transportation equipment and office equipment decreased. The review led to the recognition of an impairment loss of \$97,169 thousand (RMB21,728 thousand) for the year ended December 31, 2019. The Group determined the recoverable amount of the relevant assets on the basis of their fair values less costs of disposal. The fair values used in determining the recoverable amounts were categorized as Level 3 measurements and were measured using the cost approach.

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Machinery and equipment	5-10 years
Transportation equipment	5-10 years
Office equipment	3-10 years

The building of subsidiary Jinjiang Chengchang Co., Ltd. located in Qingyang Lianyu Industrial Zone, Jinjiang City, Fujian Province, China was going to be reconstructed as a commercial office building. As of December 31, 2019, the total contract price of the signed project was RMB325,223 thousand. The amount that has been paid is RMB280,130 thousand.

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

	December 31, 2019
<u>Carrying amounts</u>	
Land	\$ 586,691
Buildings	<u>64,040</u>
	<u>\$ 650,731</u>
	For the Year Ended December 31, 2019
Additions to right-of-use assets	<u>\$ 2,919</u>
Depreciation charge for right-of-use assets	
Land	\$ 13,258
Buildings	<u>30,513</u>
	<u>\$ 43,771</u>

b. Lease liabilities - 2019

**December 31,
2019**

Carrying amounts

Current	<u>\$ 28,870</u>
Non-current	<u>\$ 30,272</u>

Range of discount rate for lease liabilities was as follows:

**December 31,
2019**

Buildings	4.75%
-----------	-------

c. Other lease information

2019

**For the Year
Ended
December 31,
2019**

Total cash outflow for leases	<u>\$ (32,544)</u>
-------------------------------	--------------------

2018

The future minimum lease payments of non-cancellable operating lease commitments are as follows:

**December 31,
2018**

Not later than 1 year	\$ 31,483
Later than 1 year and not later than 5 years	<u>69,763</u>
	<u>\$ 101,246</u>

The lease payments and sublease payments recognized in profit or loss were as follows:

**For the Year
Ended
December 31,
2018**

Minimum lease payments	<u>\$ 28,454</u>
------------------------	------------------

15. PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Current	\$ -	\$ 13,258
Non-current	<u>-</u>	<u>609,451</u>
	<u>\$ -</u>	<u>\$ 622,709</u>

Since the subsidiary Jinjiang Chengchang Company proposed to bid for 4,911 square meters of land on Qingyang Street, Lianyu Community, which was owned by Shu-Yuan Zhuang, the subsidiary Jinjiang Chengchang Company paid the reimbursement for transferring use rights at RMB23,574 thousand on January 20, 2017 (accounted in long-term prepayment) and paid the guarantee deposit for applying the land acquisition and pension security expenses to individual who was affected by the land requisition to Jinjiang Finance Bureau for a total of RMB213 thousand (accounted in refundable deposits). The subsidiary Jinjiang Chengchang Company acquired 2,235 square meters of land by bidding procedure on January 5, 2018, and signed the contract with Jinjiang City Municipal Land Resource Bureau for assigning the right to use the state-owned construction land and paid the remaining balance of RMB2,219 thousand on May 27, 2018. After that, the subsidiary Jinjiang Chengchang Company obtained the certificate of the right to use the land for 50 years on June 1, 2018. The subsidiary Jinjiang Chengchang Company acquired the remaining 2,499 square meters of land by bidding procedure on July 6, 2018, and signed the contract with Jinjiang City Municipal Land Resource Bureau for assigning the right to use the state-owned construction land and paid the remaining balance of RMB2,478 thousand on August 26, 2018. After that, the subsidiary Jinjiang Chengchang Company obtained the certificate of the right to use the land for 50 years on September 1, 2018.

Since the subsidiary Jinjiang Chengchang Company proposed to bid for 4,444 square meters of land on Qingyang Street, Lianyu Community, which was owned by Shu-Fang Zhuang, the subsidiary Jinjiang Chengchang Company paid the reimbursement for transferring use rights at RMB21,331 thousand on January 18, 2018 (accounted in long-term prepayment) and paid the guarantee deposit for applying the land acquisition and pension security expenses to individual who was affected by the land requisition to Jinjiang Finance Bureau for a total of RMB373 thousand (accounted in refundable deposits). The subsidiary Jinjiang Chengchang Company acquired 3,543 square meters of land by bidding procedure on November 9, 2018, and signed the contract with Jinjiang City Municipal Land Resource Bureau for assigning the right to use the state-owned construction land and paid the remaining balance of RMB3,307 thousand on November 19, 2018. After that, the subsidiary Jinjiang Chengchang Company obtained the certificate of the right to use the land for 50 years on December 17, 2018.

16. OTHER ASSETS

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Prepayments	<u>\$ 40,990</u>	<u>\$ 10,291</u>
<u>Non-current</u>		
Refundable deposits	\$ 41,471	\$ 43,080
Prepayment for equipment	<u>21,012</u>	<u>-</u>
	<u>\$ 62,483</u>	<u>\$ 43,080</u>

The refundable deposits are mainly to pay the compensation for the transfer of collective use rights, to pay land acquisition security deposit and pension security expenses for individuals who were expected to participate in the bidding, and to offset the land use right transfer fee when the bid is won.

17. TRADE PAYABLES

	<u>December 31</u>	
	2019	2018
Trade payables	<u>\$ 96,222</u>	<u>\$ 97,330</u>

18. OTHER LIABILITIES

	<u>December 31</u>	
	2019	2018
Other payables		
Payables for dividends	\$ 41,520	\$ 40,106
Payables for salaries or bonuses	27,796	32,609
Payables for insurance	13,022	13,757
Payables for purchases of equipment	-	14,069
Payables for business tax	-	1,744
Others	<u>20,644</u>	<u>25,771</u>
	<u>\$ 102,982</u>	<u>\$ 128,056</u>

19. RETIREMENT BENEFIT PLANS

The employees of the Group's subsidiary in China are members of a state-managed retirement benefit plan operated by the government of China. The subsidiary is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The Company and certain subsidiaries have no employee retirement plan.

The Company recognized retirement expenses in the consolidated statements of comprehensive income for the years ended December 31, 2019 and 2018 of \$15,641 thousand and \$18,417 thousand, respectively.

20. EQUITY

a. Share capital

Ordinary shares

	<u>December 31</u>	
	2019	2018
Number of shares authorized (in thousands)	<u>200,000</u>	<u>200,000</u>
Shares authorized	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>
Number of shares issued and fully paid (in thousands)	<u>152,923</u>	<u>139,021</u>
Shares issued	<u>\$ 1,529,229</u>	<u>\$ 1,390,208</u>

Fully paid ordinary shares, which have a par value of NT\$10, carry one vote per share and a right to receive dividends.

The reconciliation of the outstanding shares of the Company is as follows:

	Number of Shares (In Thousands)	Amount	Additional Paid-In Capital
Balance at January 1, 2018	126,383	\$ 1,263,825	\$ 2,532,902
Share dividends	<u>12,638</u>	<u>126,383</u>	<u>-</u>
Balance at December 31, 2018	<u>139,021</u>	<u>\$ 1,390,208</u>	<u>\$ 2,532,902</u>
Balance at January 1, 2019	139,021	\$ 1,390,208	\$ 2,532,902
Share dividends	<u>13,902</u>	<u>139,021</u>	<u>-</u>
Balance at December 31, 2019	<u>152,923</u>	<u>\$ 1,529,229</u>	<u>\$ 2,532,902</u>

b. Capital surplus

	December 31	
	2019	2018
May be used to offset a deficit, distributed as cash dividends, or transferred to share capital		
Issuance of ordinary shares	\$ 2,532,902	\$ 2,532,902
The difference between consolidation received or paid and the carrying amount of the subsidiaries' net assets during actual disposal or acquisition	<u>7,912</u>	<u>7,912</u>
	<u>\$ 2,540,814</u>	<u>\$ 2,540,814</u>

Such capital surplus may be used to offset a deficit; in addition, when the Company has no deficit, such capital surplus may be distributed as cash dividends or transferred to share capital (limited to a certain percentage of the Company's capital surplus and once a year).

c. Retained earnings and dividend policy

In accordance with the policy on dividend distribution of the Company's Articles of Incorporation (the "Articles"). Unless otherwise provided in the Applicable Listing Rules, the Company made a profit in a fiscal year shall be allocated in the following order and proposed by the board of directors to the shareholders in the general meeting for approval:

- 1) To make provision for the applicable amount of income tax pursuant to applicable tax laws and regulations;
- 2) To set off cumulative losses of previous years (if any);
- 3) To set aside ten percent (10%) as legal reserve pursuant to the applicable listing rules unless the accumulated amount of such legal reserve equals to the total paid-in capital of the Company;
- 4) To set aside an amount as special reserve pursuant to the applicable listing rules and requirements of the Commission; and

- 5) With respect to the earnings available for distribution (i.e., the net profit after the deduction of the items (1) to (4) above plus any undistributed retained earnings), the board of directors may present a proposal to distribute earnings by way of dividends to the shareholders at the annual general meeting for approval pursuant to the applicable listing rules. Dividends may be distributed in the form of cash and/or shares; shares may be distributed in lieu of the cash amount of any dividend, and the amount of dividends shall be at least ten percent (10%) of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of ten percent (10%) of the total dividends allocated to shareholders.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 22(f).

The legal reserve may be used to offset deficits. If the Company has no deficit and the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

The appropriations of earnings for 2018 and 2017 which were approved in the shareholders' meetings on June 10, 2019 and June 12, 2018, respectively, were as follows:

	Appropriation of Earnings	
	For the Year Ended December 31	
	2018	2017
Legal reserve	\$ 13,470	\$ 83,517
Special reserve	\$ 135,252	\$ 60,517
Cash dividends	\$ 27,804	\$ 37,915
Share dividends	\$ 139,021	\$ 126,383
Cash dividends per share (NT\$)	\$ 0.2	\$ 0.3
Share dividends per share (NT\$)	\$ 1.0	\$ 1.0

21. REVENUE

	For the Year Ended December 31		
	2019	2018	
Revenue from contracts with customers			
Revenue from sale of goods	\$ 1,157,023	\$ 2,071,989	
a. Contract balances			
	December 31,	December 31,	January 1, 2018
	2019	2018	
Trade receivables (Note 9)	\$ 309,314	\$ 426,332	\$ 1,110,925

b. Disaggregation of revenue

	<u>For the Year Ended December 31</u>	
	2019	2018
<u>Primary geographical market</u>		
Mainland China	<u>\$ 1,157,023</u>	<u>\$ 2,071,989</u>
<u>Major goods</u>		
Single color and RB soles	\$ 771,004	\$ 1,244,811
EVO plastic particles	281,691	339,203
One injection with dual colors	<u>104,328</u>	<u>487,975</u>
	<u>\$ 1,157,023</u>	<u>\$ 2,071,989</u>
<u>Timing of revenue recognition</u>		
Satisfied at a point in time	<u>\$ 1,157,023</u>	<u>\$ 2,071,989</u>

22. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	<u>For the Year Ended December 31</u>	
	2019	2018
Interest income	<u>\$ 39,996</u>	<u>\$ 51,283</u>

b. Other gains and losses

	<u>For the Year Ended December 31</u>	
	2019	2018
Impairment loss on property, plant and equipment	\$ (97,169)	\$ (17,038)
Loss on disposal of property, plant and equipment	(10,707)	-
Loss on disposal of non-current assets held for sale	(769)	-
Net foreign exchange gain (loss)	3,113	8,932
Others	<u>5,228</u>	<u>2,473</u>
	<u>\$ (100,304)</u>	<u>\$ (5,633)</u>

c. Finance costs

	<u>For the Year Ended December 31</u>	
	2019	2018
Interest on lease liabilities	<u>\$ 3,574</u>	<u>\$ -</u>

d. Depreciation and amortization

	For the Year Ended December 31	
	2019	2018
Property, plant and equipment	\$ 24,134	\$ 23,332
Right-of-use assets	43,771	-
Prepayments for leases	<u>-</u>	<u>9,987</u>
	<u>\$ 67,905</u>	<u>\$ 33,319</u>
 An analysis of depreciation by function		
Operating costs	\$ 51,196	\$ 19,003
Operating expenses	<u>16,709</u>	<u>4,329</u>
	<u>\$ 67,905</u>	<u>\$ 23,332</u>
 An analysis of amortization by function		
Operating expenses	<u>\$ -</u>	<u>\$ 9,987</u>

e. Employee benefits expense

	For the Year Ended December 31	
	2019	2018
Short-term employee benefits	\$ 286,148	\$ 290,209
Post-employment benefits		
Defined contribution plans	15,641	18,417
Other employee benefits	<u>18,188</u>	<u>19,651</u>
	<u>\$ 319,977</u>	<u>\$ 328,277</u>
 An analysis of employee benefits expense by function		
Operating costs	\$ 283,444	\$ 283,903
Operating expenses	<u>36,533</u>	<u>44,374</u>
	<u>\$ 319,977</u>	<u>\$ 328,277</u>

f. Employee's compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at the rates of no less than 3% and no higher than 1%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. For the years ended December 31, 2019 and 2018, the Company did not estimate the bonus to employees and the remuneration of directors and supervisors.

If there is a change in the proposed amounts after the annual financial statements were authorized for issue, the differences are recorded as a change in accounting estimate.

There was no difference between the actual amounts of employees' compensation and remuneration of directors and supervisors paid and the amounts recognized in the consolidated financial statements for the years ended December 31, 2018 and 2017.

Information on the employees' compensation and remuneration of directors and supervisors resolved by the Company's board of directors in 2019 and 2018 is available at the Market Observation Post System website of the Taiwan Stock Exchange.

23. INCOME TAXES RELATING TO CONTINUING OPERATIONS

a. Income tax recognized in profit or loss

Major components of tax expense were as follows:

	For the Year Ended December 31	
	2019	2018
Current tax		
In respect of the current period	\$ 408	\$ 45,879
Adjustments for prior periods	<u>677</u>	<u>-</u>
	1,085	45,879
Deferred tax		
In respect of the current period	<u>3,362</u>	<u>(7,770)</u>
Income tax expense recognized in profit or loss	<u>\$ 4,447</u>	<u>\$ 38,109</u>

A reconciliation of accounting profit and income tax expense is as follows:

	For the Year Ended December 31	
	2019	2018
Profit (loss) before tax	<u>\$ (433,877)</u>	<u>\$ 172,808</u>
Income tax expense calculated at statutory rate	\$ (62,477)	\$ 28,636
Nondeductible expense calculated at the statutory rates	12,191	9,473
Unrecognized loss carryforwards	38,730	-
Unrecognized deductible temporary differences	15,326	-
Adjustments for prior years' tax	<u>677</u>	<u>-</u>
Income tax expense recognized in profit	<u>\$ 4,447</u>	<u>\$ 38,109</u>

The applicable tax rate used by subsidiaries in China is 25%. In addition, Jinjiang Chengchang Company obtained the Hi-tech enterprise authenticated certification of the People's Republic of China in 2019 and 2018, so its applicable tax rate was reduced to 15%. Tax rates used by other group entities operating in other jurisdictions are based on the tax laws in those jurisdictions.

b. Current tax liabilities

	For the Year Ended December 31	
	2019	2018
Current tax liabilities		
Income tax payable	<u>\$ 1,400</u>	<u>\$ 7,642</u>

c. Deferred tax assets and liabilities

The movements of deferred tax assets and deferred tax liabilities were as follows:

For the year ended December 31, 2019

	Opening Balance	Recognized in Profit or Loss	Exchange Difference	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Property, plant and equipment	\$ <u>2,506</u>	\$ <u>(2,506)</u>	\$ <u>-</u>	\$ <u>-</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Unrealized foreign exchange gains	\$ <u>5,235</u>	\$ <u>855</u>	\$ <u>(227)</u>	\$ <u>5,863</u>

For the year ended December 31, 2018

	Opening Balance	Recognized in Profit or Loss	Exchange Difference	Closing Balance
<u>Deferred tax assets</u>				
Temporary differences				
Property, plant and equipment	\$ <u>-</u>	\$ <u>2,556</u>	\$ <u>(50)</u>	\$ <u>2,506</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Deferred disposal gains	\$ <u>6,608</u>	\$ <u>(6,601)</u>	\$ <u>(7)</u>	\$ <u>-</u>
Unrealized foreign exchange gains	<u>3,955</u>	<u>1,387</u>	<u>(107)</u>	<u>5,235</u>
	<u>\$ 10,563</u>	<u>\$ (5,214)</u>	<u>\$ (114)</u>	<u>\$ 5,235</u>

- d. Deductible temporary differences and unused loss carryforwards for which no deferred tax assets have been recognized in the consolidated balance sheets (Unit: RMB thousand)

	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
Loss carryforwards		
Expiry in 2024	\$ <u>57,737</u>	\$ <u>-</u>
Deductible temporary differences	\$ <u>22,848</u>	\$ <u>-</u>

e. Income tax assessments

The income tax returns have been filed according to the terms of different national governments.

24. EARNINGS (LOSS) PER SHARE

	<u>For the Year Ended December 31</u>	
	2019	2018
Basic earnings (loss) per share	\$ <u>(2.87)</u>	\$ <u>0.88</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on August 26, 2019. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2018 were as follows:

Unit: NT\$ Per Share

	Before Retrospective Adjustment	After Retrospective Adjustment
Basic earnings per share	\$ <u>0.97</u>	\$ <u>0.88</u>

The earnings (loss) and weighted average number of ordinary shares outstanding used in the computation of earnings (loss) per share were as follows:

Net Profit (Loss) for the Year

	<u>For the Year Ended December 31</u>	
	2019	2018
Earnings (loss) used in the computation of basic and diluted earnings per share	\$ <u>(438,324)</u>	\$ <u>134,699</u>

Ordinary Shares Outstanding

	<u>For the Year Ended December 31</u>	
	2019	2018
Weighted average number of ordinary shares used in the computation of basic earnings (loss) per share	<u>152,923</u>	<u>152,923</u>

25. CAPITAL MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged in recent years.

The capital structure of the Group consists of net debt (borrowings offset by cash and cash equivalents) and equity of the Group (comprising issued capital, reserves, retained earnings and other equity, and non-controlling interests).

The Group is not subject to any externally imposed capital requirements.

Key management personnel of the Group review the capital structure on a quarterly basis. As part of this review, the key management personnel consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the key management personnel, in order to balance the overall capital structure, the Group may adjust the amount of dividends paid to shareholders, the number of new shares issued or repurchased, and/or the amount of new debt issued or existing debt redeemed.

26. FINANCIAL INSTRUMENTS

a. Fair value of financial instruments not measured at fair value

Management believes that the carrying amounts of financial assets and financial liabilities recognized in the consolidated financial statements approximate their fair values.

b. Categories of financial instruments

	<u>December 31</u>	
	2019	2018
<u>Financial assets</u>		
Financial assets at amortized cost		
Cash and cash equivalents	\$ 3,683,876	\$ 3,221,091
Financial assets at amortized cost - current	184,400	1,510,407
Trade receivables	309,314	426,332
Other receivables	2,327	16,935
Refundable deposits	41,471	43,080
<u>Financial liabilities</u>		
Financial liabilities at amortized cost		
Trade payables	96,222	97,330
Other payables	33,666	53,597

c. Financial risk management objectives and policies

The Group's major financial instruments included cash, equity and debt investments, and borrowings. The Group's corporate treasury function provides services to the Group, coordinates access to domestic and international financial markets, and assesses the financial risks associated with the operations of the Group by actual demand and risk analysis. These risks include market risk (mainly interest rate risk), credit risk, and liquidity risk.

The Group did not enter into or trade financial instruments, including derivative financial instruments for speculative purposes.

The Corporate treasury function reports to the Group's risk management committee, and the internal auditors also review the implementation of the policies constantly.

1) Market risk

The Group's activities expose the Group primarily to the financial risk of changes in interest rates (see (a) below). The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

There had been no change in the Group's exposure to market risks or the manner in which these risks were measured and managed.

Interest rate risk

The Group was exposed to the fair value of interest rate risk and cash flow interest rate risk from short-term borrowings and long-term borrowings at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix of fixed and floating rate borrowings.

The carrying amounts of the Group's financial assets and financial liabilities with exposure to interest rates at the end of the reporting period were as follows:

	<u>December 31</u>	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 184,400	\$ 4,515,591
Cash flow interest rate risk		
Financial assets	3,683,200	215,043

Sensitivity analysis

The sensitivity analyses below were determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole year. The rate of a 1% increase or decrease was used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's per-tax profit for the years ended December 31, 2019 and 2018 would have decreased/increased by \$36,832 thousand and \$2,150 thousand, respectively, which was mainly attributable to the Group's exposure to interest rates on its variable-rate financial assets.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. As at the end of the reporting period, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure of counterparties to discharge an obligation and financial guarantees provided by the Group could arise from:

- a) The carrying amount of the respective recognized financial assets as stated in the balance sheets; and
- b) The amount of contingent liabilities in relation to financial guarantee issued by the Group.

The Group adopted a policy of dealing only with creditworthy counterparties, which were mostly reputable department stores and shopping malls; the Group's exposure and the operating performance of its counterparties are continuously monitored. From historical experience, the Group considers that the possibility of facing a credit-related risk is low.

3) Liquidity risk

The Group manages liquidity risk by monitoring and maintaining a level of cash deemed adequate to finance the Group's operations and mitigate the effects of fluctuations in cash flows. In addition, management monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the Group's short-, medium- and long-term funding and liquidity management requirements.

The Group manages liquidity risk by maintaining adequate cash, reserves and using variety of equity and liability instruments, and continuously monitoring forecast and actual cash flows as well as matching the maturity profiles of financial assets and liabilities.

Liquidity and interest risk rate tables for non-derivative financial liabilities

The following table details the Company's remaining contractual maturity for its non-derivative financial liabilities with agreed repayment periods. The tables had been drawn up based on the undiscounted cash flows of financial liabilities from the earliest date on which the Company can be required to pay. The tables included both interest and principal cash flows.

The non-interest-bearing financial liabilities of the Group's current liabilities are due within one year and not required to be paid off. The maturity analysis of interest-bearing financial liability contracts as shown in the following table is summarized based on the agreed maturity amount.

December 31, 2019

	Less than 1 Year	1 - 5 Years
Lease liabilities	<u>\$ 30,996</u>	<u>\$ 30,996</u>

Additional information about the maturity analysis for lease liabilities (Unit: RMB thousand):

	Less than 1 Year	1 - 5 Years
Lease liabilities	<u>\$ 7,200</u>	<u>\$ 7,200</u>

27. TRANSACTIONS WITH RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Besides information disclosed elsewhere in the other notes, details of transactions between the Group and other related parties are disclosed below.

Compensation of Key Management Personnel

	<u>For the Year Ended December 31</u>	
	2019	2018
Short-term benefits	<u>\$ 10,420</u>	<u>\$ 10,625</u>

The remuneration of directors and key executives was determined by the remuneration committee based on the performance of individuals and market trends.

28. SIGNIFICANT CONTINGENT LIABILITIES AND UNRECOGNIZED COMMITMENTS

Significant commitments and contingencies of the Group as of December 31, 2019 were as follows:

A contract for construction project signed but not yet paid by subsidiary Jinjiang Chengchang Co., Ltd. was RMB45,903 thousand.

Subsidiary Jinjiang Chengchang Company signed an agreement with Huaqiao University in October 2016. Huaqiao University was commissioned to conduct researches and developments of plastic materials from October 16, 2016 to October 15, 2020. Jinjiang Chengchang Company should pay the joint research fee amounting to RMB3,000 thousand in total. According to the payment schedule, Jinjiang Chengchang Company should pay RMB500 thousand in the first year plus an annual increase rate of 10% from the second to the fifth year. In addition, Jinjiang Chengchang Company should provide funds for purchasing specific equipment and instruments in accordance with the contract. However, the research results were not satisfactory, and the management decided to terminate research and development. Subsidiary Jinjiang Chengchang Company signed a cancellation agreement with Huaqiao University on April 18, 2019, which terminated the joint agreement on March 31, 2019. The rights and obligations of both parties were terminated at the date of the termination of the contract, and both parties were not liable for the breach of the contract. As of March 31, 2019, the accumulated joint research fee was RMB1,050 thousand.

Subsidiary Jinjiang Chengchang Company signed a contract with the scientific research team for developing new plastic foam materials. Jinjiang Chengchang Company agreed to pay regular professional service fees and the scientific research team should report situations and results of the research and development regularly. However, the research results were not satisfactory, and the management decided to terminate the development. Subsidiary Jinjiang Chengchang Company signed a cancellation agreement with the scientific research team on April 18, 2019, which terminated the new plastic foam materials on March 31, 2019. The rights and obligations of both parties were terminated at the date of the termination of the contract, and both parties were not liable for the breach of the contract. The accumulated professional service fee was RMB22,000 thousand and the related cost of research materials was RMB16,166 thousand.

29. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The outbreak of COVID-19 in January 2020 caused the temporarily suspended operation of the factory located in Jinjiang City, Fujian Province, China. As the major customers of the Group are mainly located in severe pandemic areas, the impact of the outbreak on the operations is significant. Due to the inability to assess the global pandemic situation as of the date the consolidated financial report was authorized for issue, the Group could not reasonably estimate the extent of the impact on the operation and the entire industry.

30. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Groups' significant financial assets and liabilities denominated in foreign currencies aggregated by the foreign currencies other than functional currencies and the related exchange rates between foreign currencies and respective functional currencies were as follows:

December 31, 2019

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,777	6.9762 (USD:RMB)	\$ 203,534
HKD	1	0.8941 (HKD:RMB)	4

(Continued)

	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial liabilities</u>			
Monetary items			
NTD	\$ 41,520	0.2323 (NTD:RMB)	\$ 41,520 (Concluded)
<u>December 31, 2018</u>			
	Foreign Currency	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 6,297	6.8632 (USD:RMB)	\$ 193,277
HKD	16	0.8768 (HKD:RMB)	64
<u>Financial liabilities</u>			
Monetary items			
NTD	40,106	0.2236 (NTD:RMB)	40,106

The Group is mainly exposed to the USD and the NTD. The following information was aggregated by the functional currencies of the group entities, and the exchange rates between respective functional currencies and the presentation currency were disclosed. The significant realized and unrealized foreign exchange gains (losses) were as follows:

	For the Year Ended December 31			
	2019		2018	
Foreign Currency	Exchange Rate	Net Foreign Exchange Gain (Loss)	Exchange Rate	Net Foreign Exchange Gain (Loss)
RMB	4,472 (RMB:NTD)	<u>\$ 3,113</u>	4.560 (RMB:NTD)	<u>\$ 8,932</u>

31. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others. (Table 1)
- 2) Endorsements/guarantees provided. (None)
- 3) Marketable securities held (excluding investment in subsidiaries, associates and joint ventures). (None)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital. (None)
- 5) Acquisitions of individual real estate at costs of at least NT \$300 million or 20% of the paid-in capital. (Table 2)

- 6) Disposals of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital. (None)
 - 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (None)
 - 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital. (Table 3)
 - 9) Trading in derivative instruments. (None)
 - 10) Intercompany relationships and significant intercompany transactions. (Table 4)
 - 11) Information on investees. (Table 5)
- b. Information on investments in mainland China
- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area. (Table 6)
 - 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: (None)
 - a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period.
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period.
 - c) The amount of property transactions and the amount of the resultant gains or losses.
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes.
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds.
 - f) Other transactions that have a material effect on the profit or loss for the period or on the financial position, such as the rendering or receiving of services.

32. SEGMENT INFORMATION

Jinjiang Chengchang Company and Century Victory Company are franchised investment holding business companies. The business activities of Jinjiang Chengchang Company and Century Victory Company include the research and development, manufacturing and trading of soles and shoe materials, which are the main source of profits for the Company. The measurement basis of departmental information provided to chief operating decision maker for review is the same as information reported in the financial statements. Therefore, the information of the operations department to be reported in the years of 2019 and 2018 can be referred to the consolidated financial statements for the years ended December 31, 2019 and 2018.

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

FINANCING PROVIDED TO OTHERS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

No.	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note 3)	Ending Balance	Actual Borrowing Amount	Interest Rate	Nature of Financing (Note 1)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower (Note 2)	Aggregate Financing Limit (Note 2)	Note
													Item	Value			
0	Victory New Materials Limited Company	Hong Kong Cheng Chang Limited Company	Other receivables from related parties	Yes	\$ 129,150 (RMB 30,000 thousand)	\$ -	\$ -	-	b	\$ -	Capital movement of operating need	\$ -	-	-	\$ 585,689	\$ 2,342,758	
1	Hong Kong Cheng Chang Limited Company	Jinjiang Chengchang Limited Company	Other receivables from related parties	Yes	129,150 (RMB 30,000 thousand)	-	-	-	b	-	Capital movement of operating need	-	-	-	5,548,122	5,548,122	
2	Jinjiang Chengchang Limited Company	Century Victory Limited Company	Other receivables from related parties	Yes	344,400 (RMB 80,000 thousand)	344,400 (RMB 80,000 thousand)	136,529 (RMB 31,714 thousand)	-	b	-	Capital movement of operating need	-	-	-	5,542,821	5,542,821	

Note 1: Nature of financing was as follows:

- a. Business relationship.
- b. Necessity of short-term financing.

Note 2: Aggregate financing limits should not exceed 40% of the Company's net worth. The limit of short-term financing for each counterparty should not exceed 40% of Shanghai Les Emphans Children Articles Co., Ltd.'s net worth as shown in the latest audited or reviewed financial statements.

Note 3: The highest balance for the period was calculated at the year-end exchange rate.

Note 4: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements.

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

ACQUISITION OF INDIVIDUAL REAL ESTATE AT COSTS OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Buyer	Property	Event Date	Transaction Amount	Payment Status	Counterparty	Relationship	Information on Previous Title Transfer If Counterparty Is A Related Party			Pricing Reference	Purpose of Acquisition	Other Terms
							Property Owner	Relationship	Transaction Date			
Jinjiang Chengchang Limited Company	Property under construction	2016.03.11	\$ 572,242 (RMB 132,925 thousand) (Note 1)	Had paid RMB132,758 thousand	Fujian Minnan Construction Engineering Co., Ltd.	-	-	-	-	Inquiry, party and bargaining	Build commercial office building	Note 2

Note 1: The amount was calculated based on the exchange rate of RMB4.305 at the end of the reporting period.

Note 2: Jinjiang Chengchang Company and Fujian Minnan Construction Engineering Co., Ltd. respectively signed the contracts of building no. 1 and building no. 2 (with a total contract price of RMB58,655 thousand) on March 11, 2016, and the contract of building no. 3 (with a total contract price of RMB49,270 thousand) and supplemental contracts (with a total contract price of RMB25,000 thousand) on January 24, 2017.

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NTS100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Company Name	Related Party	Relationship	Financial Statement Account and Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
Jinjiang Chengchang Limited Company	Century Victory Limited Company	The same parent company	\$ 136,529 (RMB 31,714 thousand)	Note 1	\$ -	-	\$ -	-

Note 1: It is not applicable to the calculation of the turnover rate.

Note 2: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements.

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT TRANSACTIONS
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars)**

No.	Investee Company	Counterparty	Relationship (Note 1)	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% to Total Sales or Assets
1	Jinjiang Chengchang Limited Company	Century Victory Limited Company	b	Other receivables	\$ 136,529 (RMB 31,714 thousand)	-	2

Note 1: Nature of relationship is as follows:

- a. From the parent company to its subsidiary
- b. From a subsidiary to its parent company

Note 2: Transactions between the Company and its subsidiaries were excluded from the consolidated financial statements.

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

INFORMATION ON INVESTEES
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount (Note 1)		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
The Company	Super Light Limited Company	Nevada, U.S.A.	Investment	\$ 1,911,308 (RMB 443,974 thousand)	\$ 1,985,452 (RMB 443,974 thousand)	100	100	\$ 5,548,122	\$ (428,080)		
Super Light Limited Company	Hong Kong Cheng Chang Limited Company	Hong Kong	Investment	1,030,195 (RMB 239,302 thousand)	1,070,159 (RMB 239,302 thousand)	-	100	5,548,122	(428,080)		

Note 1: The amounts were calculated based on the exchange rates at the end of the reporting period.

Note 2: Net income of investees, investments accounted for using the equity method of investor and net assets of investee company between the investor and investee company have been eliminated on consolidation.

Note 3: Refer to Table 6 for information relating to investees in mainland China.

VICTORY NEW MATERIALS LIMITED COMPANY AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investee Company	Main Businesses and Products	Paid-in Capital (Note 1)	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of January 1, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss) (Note 2)	Carrying Amount as of December 31, 2019 (Note 2)	Accumulated Repatriation of Investment Income as of December 31, 2019
					Outward	Inward						
Jinjiang Chengchang Limited Company	Manufactures and sells various soles and related shoe materials	\$ 523,179 (HK\$ 135,926 thousand)	Hong Kong Cheng Chang Limited Company has 100% shareholding	\$ -	\$ -	\$ -	\$ -	\$ (428,162)	100	\$ (428,162)	\$ 5,542,821	\$ -
Century Victory Limited Company	Manufactures and sells various soles and related shoe materials	239,840 (US\$ 8,000 thousand)	Victory New Materials Limited Company has 100% shareholding	-	-	-	-	3,815	100	3,815	212,663	-

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2019	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Not Applicable	Not Applicable	Not Applicable

Note 1: The amount was calculated based on exchange rates at the end of the reporting period.

Note 2: The amount is according to the financial statements which have been audited by the Company's auditors.

Note 3: Net income of investees, investments accounted for using the equity method of investor and net assets of investee between the investor company and investee company have been eliminated on consolidation.