Victory New Materials Limited Company and Subsidiaries

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

Deloitte.

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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

<u>Notice to Readers</u>

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)

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

(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	$ (665,230)	(57)	$ (553)	-
EARNINGS (LOSS) PER SHARE (Note 24)				
Basic	$ (2.87)		$ 0.88	

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						
			Retained Earnings (Note 20)			Other Equity	
	Share Capital (Note 20)	Capital Surplus (Note 20)	Legal Reserve	Special Reserve	Unappropriated Earnings	Exchange Differences on Translating the Financial Statements of Foreign Operations	Total Equity
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	126,383	-	-	-	(126,383)	-	-
	126,383	-	83,517	60,517	(308,332)	-	(37,915)
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	-	-	-	-	134,699	(135,252)	(553)
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	139,021	-	-	-	(139,021)	-	-
	139,021	-	13,470	135,252	(315,547)	-	(27,804)
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	-	-	-	-	(438,324)	(226,906)	(665,230)
BALANCE AT DECEMBER 31, 2019	$ 1,529,229	$ 2,540,814	$ 435,041	$ 453,403	$ 1,578,716	$ (680,309)	$ 5,856,894

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	(194,433)	697,390
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	870,214	(424,832)
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	(55,360)	(35,987)
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	(157,636)	(72,213)

(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	3,221,091	3,056,733
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	$ 3,683,876	$ 3,221,091

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

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

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:

   <u>IFRS 16 "Leases"</u>

   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.

   <u>Definition of a lease</u>

   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	$ 101,246
Undiscounted amounts on January 1, 2019	$ 101,246
Discounted amounts using the incremental borrowing rate on January 1, 2019	$ 87,202
Lease liabilities recognized on January 1, 2019	$ 87,202

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	-	716,887	716,887
	$ 633,000	$ 87,202	$ 720,202

(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	-	66,431	66,431
	$ -	$ 87,202	$ 87,202

(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

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

7. FINANCIAL ASSETS AT AMORTIZED COST - CURRENT

	December 31	
	2019	**2018**
Time deposits with original maturities of more than 3 months	$ 184,400	$ 1,510,407

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.

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

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

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

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)	-	-	-
Amortized cost	$ 309,314	$ -	$ 309,314

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)	-	-	-
Amortized cost	$ 426,332	$ -	$ 426,332

10. INVENTORIES

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

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
Carrying amount of non-current assets held for sale	
Cost	$ 34,859
Accumulated depreciation	(13,007)
Impairment losses	(17,038)
Effect of foreign currency exchange differences	329
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	107
Balance at December 31, 2018	$ -

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

			Percentage of Ownership (%)	
			December 31	
Investor	**Investee**	**Nature of Activities**	**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.	Chengchang Shoes Industry Co., Ltd.	Holding company	100.00	100.00
Hong Kong Chengchang Co., Ltd.	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
Cost					
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	$ 238,602	$ 19,122	$ 4,767	$ 1,111,791	$ 1,374,282
Accumulated depreciation and impairment					
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	$ 180,386	$ 17,863	$ 4,435	$ -	$ 202,684
Carrying amounts at December 31, 2019	$ 58,216	$ 1,259	$ 332	$ 1,111,791	$ 1,171,598
Cost					
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	$ 256,293	$ 19,864	$ 4,952	$ 731,897	$ 1,013,006
Accumulated depreciation and impairment					
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	$ 79,111	$ 15,144	$ 3,939	$ -	$ 98,194
Carrying amounts at December 31, 2018	$ 177,182	$ 4,720	$ 1,013	$ 731,897	$ 914,812

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
Carrying amounts	
Land	$ 586,691
Buildings	64,040
	$ 650,731

	For the Year Ended December 31, 2019
Additions to right-of-use assets	$ 2,919
Depreciation charge for right-of-use assets	
Land	$ 13,258
Buildings	30,513
	$ 43,771

b. Lease liabilities - 2019

	December 31, 2019
Carrying amounts	
Current	$ 28,870
Non-current	$ 30,272

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	$ (32,544)

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	69,763
	$ 101,246

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

	For the Year Ended December 31, 2018
Minimum lease payments	$ 28,454

15. PREPAYMENTS FOR LEASES

	December 31	
	2019	2018
Current	$ -	$ 13,258
Non-current	-	609,451
	$ -	$ 622,709

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

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

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

	December 31	
	2019	2018
Trade payables	$ 96,222	$ 97,330

18. OTHER LIABILITIES

	December 31	
	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	20,644	25,771
	$ 102,982	$ 128,056

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

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

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	12,638	126,383	-
Balance at December 31, 2018	139,021	$ 1,390,208	$ 2,532,902
Balance at January 1, 2019	139,021	$ 1,390,208	$ 2,532,902
Share dividends	13,902	139,021	-
Balance at December 31, 2019	152,923	$ 1,529,229	$ 2,532,902

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	7,912	7,912
	$ 2,540,814	$ 2,540,814

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, 2019	December 31, 2018	January 1, 2018
Trade receivables (Note 9)	$ 309,314	$ 426,332	$ 1,110,925

b. Disaggregation of revenue

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

22. NET PROFIT (LOSS) FROM CONTINUING OPERATIONS

a. Other income

	For the Year Ended December 31	
	2019	2018
Interest income	$ 39,996	$ 51,283

b. Other gains and losses

	For the Year Ended December 31	
	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	5,228	2,473
	$ (100,304)	$ (5,633)

c. Finance costs

	For the Year Ended December 31	
	2019	2018
Interest on lease liabilities	$ 3,574	$ -

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	-	9,987
	$ 67,905	$ 33,319
An analysis of depreciation by function		
Operating costs	$ 51,196	$ 19,003
Operating expenses	16,709	4,329
	$ 67,905	$ 23,332
An analysis of amortization by function		
Operating expenses	$ -	$ 9,987

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	18,188	19,651
	$ 319,977	$ 328,277
An analysis of employee benefits expense by function		
Operating costs	$ 283,444	$ 283,903
Operating expenses	36,533	44,374
	$ 319,977	$ 328,277

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	677	-
	1,085	45,879
Deferred tax		
In respect of the current period	3,362	(7,770)
Income tax expense recognized in profit or loss	$ 4,447	$ 38,109

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

	For the Year Ended December 31	
	2019	2018
Profit (loss) before tax	$ (433,877)	$ 172,808
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	677	-
Income tax expense recognized in profit	$ 4,447	$ 38,109

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	$ 1,400	$ 7,642

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
Deferred tax assets				
Temporary differences				
Property, plant and equipment	$ 2,506	$ (2,506)	$ -	$ -
Deferred tax liabilities				
Temporary differences				
Unrealized foreign exchange gains	$ 5,235	$ 855	$ (227)	$ 5,863

For the year ended December 31, 2018

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

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)

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

e. Income tax assessments

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

24. EARNINGS (LOSS) PER SHARE

	For the Year Ended December 31	
	2019	2018
Basic earnings (loss) per share	$ (2.87)	$ 0.88

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	$ 0.97	$ 0.88

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

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

Ordinary Shares Outstanding

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

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

	December 31	
	2019	**2018**
Financial assets		
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
Financial liabilities		
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:

	December 31	
	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	$ 30,996	$ 30,996

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

	Less than 1 Year	1 - 5 Years
Lease liabilities	$ 7,200	$ 7,200

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

	For the Year Ended December 31	
	2019	2018
Short-term benefits	$ 10,420	$ 10,625

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
Financial assets			
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
Financial liabilities			
Monetary items			
NTD	$ 41,520	0.2323 (NTD:RMB)	$ 41,520

(Concluded)

December 31, 2018

	Foreign Currency	Exchange Rate	Carrying Amount
Financial assets			
Monetary items			
USD	$ 6,297	6.8632 (USD:RMB)	$ 193,277
HKD	16	0.8768 (HKD:RMB)	64
Financial liabilities			
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)	$ 3,113	4.560 (RMB:NTD)	$ 8,932

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 Enphants 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.

TABLE 2

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	Amount			
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, parity and barging	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 NT$100 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.

TABLE 4

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.

TABLE 5

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)	$ (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)	(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.

TABLE 6

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.