



topbi 淘帝

股票代碼：2929

2019  
年報

淘帝國際控股有限公司  
TOPBI INTERNATIONAL HOLDINGS LIMITED

Topbi Records Co. Ltd  
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淘帝國際控股有限公司編制

公開資訊觀測站網址：<http://mops.twse.com.tw>

公司網址：<http://www.topbi.com.tw>

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Notice to readers

This English-version annual report is a summary translation of the Chinese version and is not an official document of the shareholders' meeting. If there is any discrepancy between the English and Chinese versions, the Chinese version shall prevail.

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#### 4. List of the Board of Directors :

30 April 2020

Title	Name	Nationality	Main experiences
Chairman	Zhou Xun Cai	Hong Kong	Chairman of TOPBI International Holdings Limited
Director	Zhou Zhi Hong	China	Chief Executive Officer of TOPBI (China) Fashion Corporation Limited
Director	Wang Kuan-Hua	Taiwanese	Chief Financial Officer of TOPBI International Holdings Limited
Director	Lee Tsung-Ju	Taiwanese	Director of Shang Yi United CPA Firm
Independent Director	Lin Horng-Chang	Taiwanese	Chairman of Omni Media International Incorporation
Independent Director	Chang Chih-Peng	Taiwanese	Partnership Lawyer of Tomodachi Attorneys- At-Law
Independent Director	Chen DongSheng	China	Dean of Min Jiang University, Fashion and Arts Engineering College Director of Min Jiang University, Textile and Apparel Research Institute Vice President of Jiangxi Institute of Fashion Technology

#### 5. Name, address, website and contact phone number of the stock transfer institution:

*Company Name* : 群益金鼎證券股份有限公司股務代理部

*Website* : <http://www.capital.com.tw>

*Address* : No. 97, B2, Section 2, Dunhua South Road, Da'an District, Taipei City

*Tel : (02)2703-5000*

**6. Name, company name, address, website and contact phone number of the Certified Public Accountant (CPA) for the latest annual financial report:**

*Accountant : Chiang Ming-Nan 、 Shih Ching-Pin*

*Accounting firm : Deloitte & Touche Taiwan*

*Address : No. 100, 2nd Floor, Songren Road, Xinyi District, Taipei City,*

*Website : <http://www.deloitte.com.tw>*

*Tel : (02)2725-9988*

**7. Places where the overseas securities are listed and traded and the way to inquire about the overseas securities information: None**

**8. Company website : <http://www.topbi.com.tw/>**

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## **1. Letter to shareholders**

Dear shareholders,

Thank you for coming to our company's annual general meeting in 2020. The annual operating performance of 2019 and the business plan for 2020 are summarized as follows:

### 1) Operating performance in 2019

#### (I) Implementation results of the previous year's plan

In 2019, China's GDP reached nearly 100 trillion yuan, an increase of 6.1% over the previous year, equivalent to the combined GDP of Japan, Germany, the United Kingdom and France in 2018. Such economic achievements stand out against the backdrop of the extremely grim global economic situation in recent years. The impressive data show the strong growth momentum and resilience of the China economy.

Under the strong support of the domestic economy, the children's wear market also shows a sustained development trend. According to statistics from China's population census, there are about 235 million people between the ages of 0 and 14 in China in 2018. Influenced by the two-child policy, China's newborn population increased to 17.86 million in 2016 and 17.23 million in 2017 respectively. China is a country with a large population. At the same time, due to its traditional culture and ideology, China attaches much more importance to the family children than western countries. The huge new population and the number of children further expand the huge market space of China's children's clothing industry. The overall retail sales of China's children's shoes and clothing industry grew from 138.5 billion yuan in 2012 to 261.5 billion yuan in 2018, with a compound growth rate of 11.2%. In 2019, the size of China's children's clothing market further expanded to 293.9 billion yuan.

China's children's clothing industry has also maintained a high speed. In recent years, the growth rate of children's wear industry in China has been ahead of that of men's wear and women's wear, and the growth gap is gradually expanding. From 2012 to 2017, the market size of China's children's clothing industry grew at a compound rate of 11.14%. According to the forecast, under the background that the children's clothing industry is in the growth stage of the clothing life cycle, the compound growth rate of the industry will remain at about 14% in the next three years, and the market size will reach 266.5 billion yuan by 2020.

At present, there are many sales channels for children's wear in China. Due to the better shopping experience of offline purchase channels, the proportion of offline sales channels for children's wear is higher. Shopping malls, brand stores and mother and baby stores are the most important sales channels for children's clothing in China, accounting for 26.5%, 24.1% and 18.5% respectively, while online sales channels only account for 16.5%. Therefore, although our online channel started a little later than other adult clothing industry, our company still maintained a remarkable performance growth in the past year under the combination of offline entity and online channel. In 2019, the company's revenue reached NT\$7.170 billion yuan, an increase of 5.99% compared with 2018.

(II) Budget implementation

The company's 2019 annual budget has ensured that the funds are used according to the planned purposes. The company's procurement of fixed assets, all kinds of marketing expenses and expenditures on intangible assets are carried out in strict accordance with the internal control procedures. All expenses are in line with expectations and the budget implementation is in good condition.

(III) The financial revenues and expenditures and profitability analysis

In terms of financial performance, the company's consolidated revenue in 2019 was NT\$7.170 billion, up 5.99 percent from its consolidated revenue of NT\$6.765 billion in 2018; Net profit after tax for 2019 was NT\$1.135 billion , up 19 percent from NT\$954 million in 2018; Earnings per share after tax for 2019 is NT\$12.01 (see table below).

Analysis of the project		Year	2019	2018	Increase (decrease) ratio (%)
Profit and loss analysis	Operating income (thousand)		7,169,864	6,764,779	5.99%
	Operating margin (thousand)		2,802,906	2 2,629,007	6.61%
	After-tax profit (thousand)		1,134,819	953,626	19.00%
Profitability	Net profit rate (%)		15.83%	14.10%	12.27%

	EPS (NT) (The impact of the 2018 annual adjusted free allotment has been retroactively reviewed)	12.01	10.06	19.38%
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#### (IV) Research and development status

In this era of technology-driven progress, technology determines the market, channels and needs, in order to adapt to the development of The Times, the company has always been committed to follow the trend of technology. In the research and development of new products, the company maintains close cooperation with MinJiang University, Fuzhou university arts and crafts institute, Jiangxi institute of fashion and other institutions of higher learning, and constantly studies the application of new materials and new technologies in the field of children's clothing. At the same time, as 5G technology is about to be commercialized on a large scale, our company also keeps paying attention to the overall impact of 5G technology on the garment industry. With the proposal of "made in China 2025", the garment manufacturing industry is also gradually turning to intelligent manufacturing. Through the application of new technologies, it is developing towards automation, digitization, and intelligence. In this process, 5G technology will play an important supporting role. Integrate all supply chains through the Internet of things and monitor the whole process in real time. According to the analysis results, carry out intelligent production, replenishment, cargo adjustment, etc., so as to realize overall intelligent manufacturing and flexible production. With the support of 5G technology, traditional stores will accelerate the pace of smart upgrading, and the effective integration of smart hardware will create a better shopping experience for consumers.

## 2) Business plan for 2020

### (I) The company's annual management policy

After 18 years of steady development since its establishment in 2002, the company has now gained a firm foothold in China's children's clothing industry. However, the sudden covid-19 outbreak in early 2020 had a greater impact on all walks of life in China than the SARS outbreak in 2003 and had a huge impact on the Chinese economy and even the world economy. To prevent and control the epidemic, the China mainland has been implementing city lock down in different parts of the country since the end of January. Although the strict epidemic

prevention measures helped the China mainland control the epidemic early, they also led to the total breakdown of offline sales. Many clothing brands' physical stores was closed, the industry's February revenue was almost zero. Only online channels can operate under pressure. Therefore, the company will develop new omni-channel retail including online channels as an important development direction in this year. The company still believes that technology is an important driving force for traditional industries to maintain innovation vitality for a long time and always stand on the crest of the tide. In the context of the upcoming 5G era, sales channels, customer experience and shopping modes will all undergo profound changes. The integration of online and offline channels based on rapid delivery of map services, VR, AR and other technologies will bring a sales revolution that overturns the past. Various advanced technologies will significantly reduce the differences in experience across different channels. Therefore, it is an important business policy of the company this year to accelerate the integration of online and offline channels and upgrade the shopping experience of physical channels with the help of technology.

## (II) Expected sales volume and its basis

Due to the covid-19 outbreak, the company has carefully lowered its sales forecast for this year. Sales at clothing stores have fallen since the first quarter of this year. Although some stores have been open since mid-to-late march, few people have been shopping. Each brand agent channel inventory backlog is serious and affected the second quarter purchases. It is conservatively estimated that since offline agents generally adopt the asset-heavy mode of operation, fixed costs such as rental and labor fixed costs make many agents in the clothing industry face difficulties in the capital chain. Therefore, this year, they will adopt the conservative development strategy to survive through those cold winters. Therefore, the company will assist agents to overcome difficulties in this year for the goal of conservative prudent strategy to deal with the annual sales, for greater development in the next year.

## (III) Important production and marketing policies

### (a) Fully develop the new omni-channel retail based on the online channel

Since the outbreak of covid-19, China's retail industry has experienced two contrasts in a short time. On the other hand, affected by the epidemic, many offline retail enterprises in China have been forced to close, resulting in significant losses. These companies are mainly in the footwear and clothing category, and the outbreak should have occurred in the peak season of

their sales, but in the end, they suffered heavy losses. On the other hand, the epidemic has increased the business of supermarkets, convenience stores and fresh food supermarkets. These companies are the most prominent online services. For example, the order volume of JingDong's home service increased by 374% compared with 2019. The inspiration brought to our company is that we need to take this as an opportunity to accelerate the establishment of a new omni-channel retail model dominated by online channels. Build private domain traffic by building a group, fully mobilize the enthusiasm of front-line marketing personnel by short videos, live streaming and taking goods, and truly realize the value creation at home.

(b) Promote brand diversification of Topbi group

In 2019, our company proposed Mini Topbi, an electric commodity brand specializing in online channels. The original plan was to make full efforts in the first quarter of 2020, but due to the epidemic, the supply chain was largely paralyzed, and the flexible supply chain, an important part for online brands to survive, was completely cut off. As a result, the sales plan of Mini Topbi in the first quarter was affected. However, under the epidemic, the strong vitality of the online channels of the garment industry shows that the company sees the correctness of this strategy. Therefore, the company will accelerate the Mini Topbi brand construction, accelerate product online, in synchronous development entities Topbi brand and Mini Topbi in the process of realization of multiple brands in future. Online and offline do not interfere with each other, and by refining product categories to fill the market segment, to complete the shopping experience to help find good development in the next decade.

(c) Reform the logistics system

In the future, the company will accelerate to build a new omni-channel retail model based on online channels. Therefore, in order to adapt to the requirements of online channels on the logistics system, the company will continue to promote the e-commerce industrial park project this year. With the continuous growth of 25 agents, the addition of new agents in the future and the rapid growth of online channels, it is bound to be a great test for logistics warehousing and distribution. The wisdom of warehousing and logistics plays an important role in improving the efficiency of the supply chain, shortening the material distribution and circulation cycle in the process of product processing, and speeding up the market response. It is also regarded by more

and more enterprises as one of the core competitiveness in the future. Therefore, the company will continue to promote the construction of warehousing and logistics system in east China, build Topbi e-commerce logistics industrial park, shorten the distribution time of logistics in the national market, and reduce costs.

#### (IV) The Impact of the External Competitive Environment, Regulatory Environment, and Macroeconomic Conditions

Due to the warm winter and early Spring Festival last year, the winter clothing inventory of terminal channels increased. Due to the epidemic prevention and control, we missed the peak season of spring sales, and the delayed resumption of work affected the sales of summer clothes. According to analysis, the impact of the epidemic on the industry is likely to continue into August of this year. Recently, as the epidemic continues to spread in many overseas countries, it also has a serious impact on the development of the global garment industry. In Europe, clothing companies have decided to close terminal stores and cut factory orders. As the epidemic continues to spread, fewer and fewer people will go out to shop, and the sales of clothing stores will decrease accordingly, thus affecting the whole upstream and downstream industry chain. Because of this outbreak, the industry changes that have taken place in the past 3-5 years are sweeping in a short period of time, changing the competitive landscape and accelerating the process of industry reshuffle. Large-scale enterprises, enterprises with strong R&D and innovation ability, sound operation structure and abundant cash flow only can survive better. Some enterprises lacking capital strength and core competitiveness will gradually withdraw from market competition, and the strong ones will remain strong. Therefore, in such an economic and social context, the company believes that the more difficult period, the more test of the viability of the enterprise. At the critical moment of the epidemic, "crisis and opportunity" coexist. The task left to the enterprise is how to find the way out of the difficulties and explore the turning point in the crisis. The enterprise must be innovative to meet the challenge, dig deep into the internal work, and create greater value for the shareholders!

Finally, I wish all the shareholders peace and happiness in the coming year.

From Chairman Zhou Xun Cai

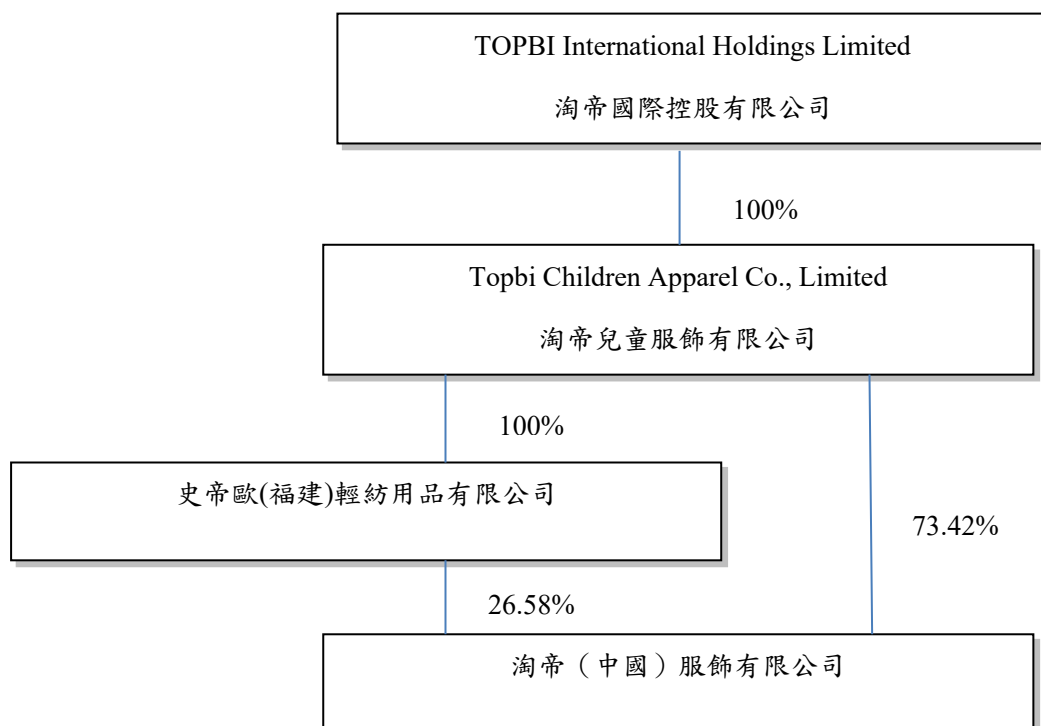


## 2. Corporate Profile

### 1) Establishment date and group profile

- I. TOPBI International Holdings Limited (hereinafter called "the company", "the group" or "TOPBI International company" established on October 3, 2012, in the British Cayman Islands, and completed the restructuring of the group in the fourth quarter. Our important investments are TOPBI Children Apparel Co., Limited, Fujian SDO Textile & Industry Goods Corp., Ltd., TOPBI (China) Fashion Co., Limited is the main operating entity of the group, while the remaining re-investment companies are the investment holding company.
- II. The group is mainly engaged in the design of children's clothing from 1 to 16 years old and its sales target is the agents in China. The company has set up sales point in 16 provinces and 3 municipalities under the central government in China through 25 agents and targeted to Chinese consumers. In addition to maintaining long-term and stable cooperation with agents, the company also keeps abreast of the latest development direction and fashion trends of the market, and designs products with both fashion concepts and consumer demands. The management team of the company has rich experience in the children's clothing industry. Since its establishment, with the help of the high-quality management team, the company has been recognized as one of the top ten children's clothing brands in China by the China clothing association, which helps the company in business development and has a considerable competitive advantage and market position in the industry.
- III. Risk Analysis: Please refer to the section 7 item 6 of this annual report.
- IV. Group structure:

December 31, 2019



## 2) Company History

Annual	Important notes on the evolution of the company and the group
February 2004	Fuzhou Topbi Clothing Co. LTD registered (Fuzhou Topbi Company)
September 2005	FUJIAN SDO TEXTILE &INDUSTRY GOODS CORP., LTD registered (SDO Company)
October 2007	The change of the business scope of Fuzhou Topbi (from "production and processing of various clothing products" to "production and processing of all kinds of clothing products, TOPBI clothing products franchising")
December 2007	Obtain the product quality award of Fuzhou city by the people's government of Fuzhou city
March 2010	"TOPBI" brand was awarded the second "top ten children's clothing brand" issued by the China apparel association.

February 2011	TOPBI Children Apparel Co., Limited registered (Hong Kong Topbi Company)
December 2011	TOPBI graphics trademark was appraised by Fujian provincial administration of industry and commerce as "famous trademark of Fujian province"
October 2012	Topbi International Holdings Limited registered (Topbi International Company)
October 2012	TOPBI international company has acquired 100% of the Hong Kong TOPBI company by issuing new shares in exchange for equity
November 2012	Obtained by the ministry of industry and information technology and the China textile industry association as the "key tracking and cultivation of Chinese clothing home textile independent brand enterprises."
December 2012	The company's equity restructuring registration completed
May 2013	"TOPBI" brand has been awarded the 3rd "China's top 10 children's clothing brands" by the China apparel association.
December 2013	TOPBI international company successfully listed in Taiwan
January 2014	The total investment of TOPBI in Fuzhou increased from RMB 63 million to RMB 180 million
March 2014	"TOPBI" brand was awarded the "best visual merchandise award" by the organizing committee of China international garment fair
July 2014	Name changed from Fuzhou Topbi Clothing Co. LTD to Topbi (China) Fashion Corp., LTD. (Topbi China Company)
October 2015	The "TOPBI" brand has won the award of "excellence" in China's national garment quality supervision and inspection center
November 2015	TOPBI was awarded the top 200 list of small and medium sized enterprises in Asia in 2015
January 2016	"TOPBI" brand was awarded the top 10 babies clothing brand in 2015

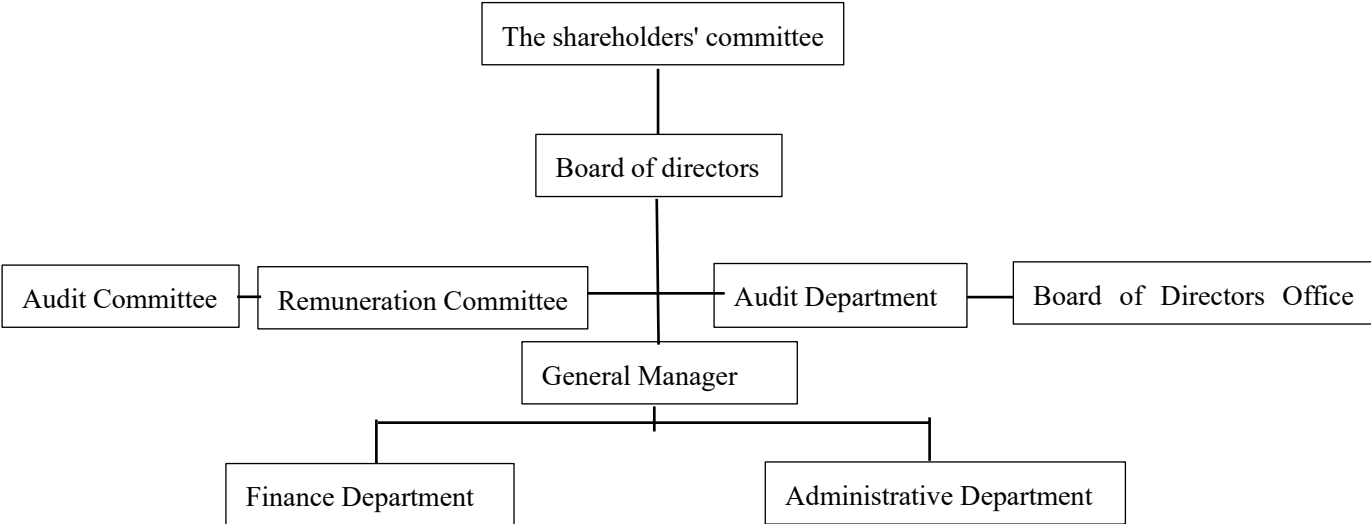
March 2016	"TOPBI" brand was awarded the 4th "China's top 10 children's wear brand" by the Chinese apparel association
December 2016	"TOPBI" brand has been awarded the title of independent brand enterprise of apparel home textile in 2016
January 2017	"TOPBI" brand has won the "national children's clothing industry quality benchmark enterprise" issued by the Chinese apparel association.
November 2017	"TOPBI" brand has won the "Evaluation certificate of integrated management system of two industries" issued by China classification society quality certification company.
March 2018	"TOPBI" brand through the provincial department of industry and information technology provincial integration of key projects identified.
November 2018	"TOPBI" brand won the title of "Independent brand enterprise of clothing and home textile" in 2018.
May 2019	"TOPBI" brand was awarded "Advanced Private Enterprise" by FuJian branch of Agricultural Development Bank of China.
July 2019	"TOPBI" brand was awarded the title of "2018 top 100 enterprises in China's garment industry" by China Garment Association.

### 3. Corporate Governance Report

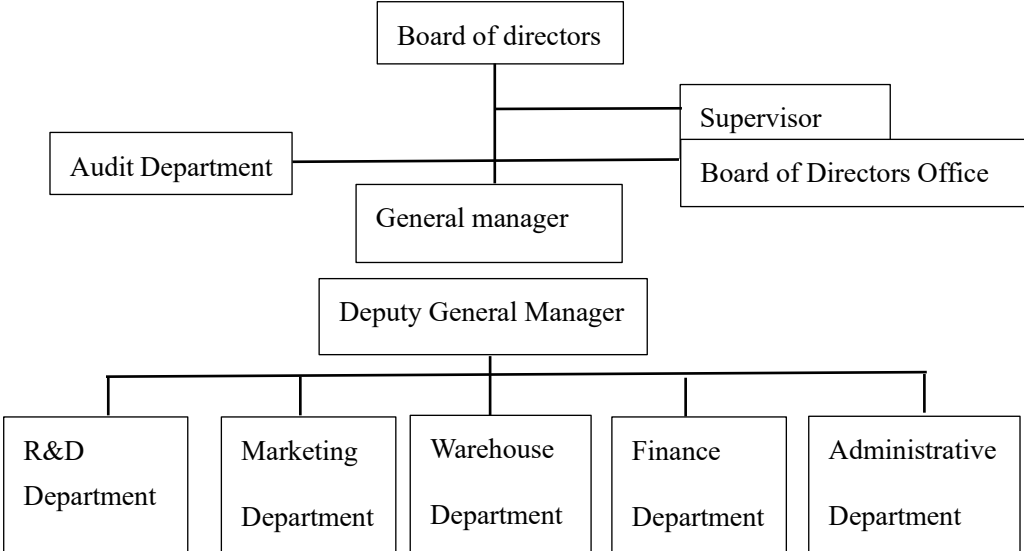
#### 1) Organization

##### (I) Organizational Chart

Organization Chart of TOPBI International Company



Organization Chart of Topbi China Company



(II) Major Corporate Functions

Company	Department	Responsibilities
Topbi International Holdings Limited	Audit Division	To oversee the audits of the audit and internal controls, and track the progress
	Board of Directors Office	Assist management to implement projects
	Administrative Department	Handle group general affairs
	Finance Department	To deal with the company's investment and fund scheduling issues, and to coordinate the group's external statements to provide the the right information to investors
TOPBI (China) Fashion Corp., Ltd.	Marketing Department	Duty of product sales, customer service, marketing, industry trend analysis, market information collection, competitor's analysis. To maintain a clear and efficient distribution system, to cooperate with the overall marketing campaign and to achieve the strategic objective
	Administration Department	To deal with the general affairs, information technology and related matters, and to formulate employee standards and incentives, improving the overall employee standards
	Research and Development Division	Design related products according to market research and search for fashionable trends; Production of samples, unique designs and relevant fabric development, and to provide technical data on outsourced production

	Warehouse Department	Handle the company's turnover, inventory and other related matters. Warehouse planning, reasonable utilization of warehouse and various resources to make all kinds of materials appropriate and reasonable. Inventory and management of stock of all types of material, and provide accurate inventory data for production purchase and marketing departments
	Finance Department	Establish cost budget, accounting and control system and compile financial decision report. Participate in all economic activities of the company, participate in the operation and management of the company, and be responsible for daily accounting, tax declaration and financial management of the company

2) Director, supervisor, general manager, deputy general manager, assistant manager, department and branch director information:

(I) Information of directors and supervisors (The company has an audit committee, no supervisor)

1. Names of directors and supervisors, educations, holding of shares and nature.

Title	Name	Gender	Nationality or registration place	Date of election	Shares held when elected	Initial selection date	Shares held when elected		Current holding of shares		Spouse and minor children, shares holding		Use of righteousness to hold shares		Education and major experiences	Current company and other companies' duties	Executives, directors or supervisors who have a spouse or other relationship		
							Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Chairman	Zhou Xun Cai	Male	Hong Kong	2019.6.14	3 years	2013.3.8	Note 1	Note 1	Note 1	Note 1	-	-	-	-	College of foreign trade, Beijing university of international business and economics Chairman of children's wear committee of China national garment association President of Taiwan association of enterprises	Chairman of Topbi International Holdings LTD Chairman of Topbi (China) Fashion Corp., LTD Chairman of Hong Kong Toprich Corp., Holdings Limited	-	-	-
Director	Zhou Zhi Hong	Male	The People's Republic of China	2019.6.14	3 years	2019.6.14	-	-	-	-	-	-	-	-	MBA of Nanchang University Vice President of Bailide Group Co. Ltd General manager of Bailide youth clothing Co., LTD	CEO of Topbi (China) Fashion Corp., Ltd. Director of Topbi (China) Fashion Corp., Ltd Director of China garment association	-	-	-
Director	Wang Kuan-Hua	Male	Republic of China	2019.6.14	3 years	2016.6.17	-	-	-	-	-	-	-	-	Major in Accounting, Tamkang University Assistant Manager of Deloitte & Touche Taiwan Accounting Manager of Elitegroup Computer System	CFO of Topbi International Holdings Limited General Manager of Taiwan Toprich International Holdings Limited	-	-	-



															Deputy General Manager of accounting center of Beijing Xunyi Innovative Electronic Co. Ltd				
Director	Lee Tsung-Ju	Male	Republic of China	2019.6.14	3 years	2019.6.14	-	-	-	-	-	-	-	-	Major in Accounting, Fu Jen Catholic University Director of Shang Yi United CPA Firm	Independent Director of Tong-Hwa Synthetic Fiber Co., Ltd. Independent Director of Forward Graphic Enterprise Co., Ltd. Independent Director of Wegames Corporation	-	-	-
Independent Director	Chen Dong Sheng	Male	The People's Republic of China	2019.6.14	3 years	2013.3.8	-	-	-	-	-	-	-	-	Doctor of engineering, China textile university Dean of college of Fashion and Art Engineering, Minjiang University Director of institute of textile and garment, Minjiang University	Vice President of Jiangxi Institute of Fashion Technology	-	-	-
Independent Director	Lin Horng-Chang	Male	Republic of China	2019.6.14	3 years	2019.6.14	-	-	-	-	-	-	-	-	Master of science in finance, George Washington University CFO of Healthconn Corporation Assistant Vice President of Senao International, Co., Ltd Consultant of Taiwan Rolling Stock Co., Ltd.	Chairmann of Omni Media International Incorporation Independent Director of Taiwan Fertilizer Co., Ltd. Independent Director of Nishoku Technology INC.	-	-	-
Independent Director	Chang Chih-Peng	Male	Republic of China	2019.6.14	3 years	2019.6.14	-	-	-	-	-	-	-	-	Master of law, National Taiwan University Chairman of consumer protection commission, Taipei Bar Association Deputy secretary general of Taipei Bar Association	Partnership Lawyer of Tomodachi Attorneys-At-Law	-	-	-

Note 1: Zhou Xun Cai has a stake in the company through Topwealth International Holdings Limited, and the shares of the company were 14,551 thousand shares, and the shareholding ratio was 15.32%.

2. The main shareholder of the corporate shareholder: The directors of the company are not the representative of the legal person, so it is not applicable.
3. The major shareholders are the main shareholders of the legal person: The directors of the company are not the representative of the legal person, so it is not applicable.
4. The professional qualifications and independence analysis of directors and supervisors :

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Criteria	More than 5 years working experience and the following professional qualification			Independence Criteria (Note 1)												Independent of other public offering companies	
	Business, legal, financial, accounting, or corporate business and all the relevant departments of professional and public university	Judges, prosecutors, lawyers, accountants, or any company to meet the needs of the business of the national exam with licensed certificate of professional and technical personnel	Experience in business, legal, finance, accounting or business	1	2	3	4	5	6	7	8	9	10	11	12		
Name																	
Zhou Xun Cai			√				√				√	√	√	√	√		-
Zhou Zhi Hong			√			√	√	√	√	√	√	√	√	√	√		-
Wang Kuan-Hua			√			√	√	√	√	√	√	√	√	√	√		-

Lee Tsung-Ju			√	√	√	√	√	√	√	√	√	√	√	√	√	3
Chen DongSheng	√		√	√	√	√	√	√	√	√	√	√	√	√	√	-
Lin Horng-Chang			√	√	√	√	√	√	√	√	√	√	√	√	√	2
Chang Chih-Peng		√	√	√	√	√	√	√	√	√	√	√	√	√	√	-

Note 1 : Please tick the corresponding boxes that apply to the directors or supervisors during the two years prior to being elected or during the term of office.

1. Not an employee of the company or any of its affiliates.
2. Not a director or supervisor of the company or any of its affiliates. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
3. Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate of one percent or more of the total number of issued shares of the company or ranking in the top 10 in holdings.
4. Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of a managerial officer under subparagraph 1 or any of the persons in the preceding two subparagraphs.
5. Not a director, supervisor, or employee of a corporate shareholder that directly holds five percent or more of the total number of issued shares of the company, or that ranks among the top five in shareholdings, or that designates its representative to serve as a director or supervisor of the company under Article 27, paragraph 1 or 2 of the Company Act. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
6. If a majority of the company's director seats or voting shares and those of any other company are controlled by the same person: **not** a director, supervisor, or employee of that other company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.

7. If the chairperson, general manager, or person holding an equivalent position of the company and a person in any of those positions at another company or institution are the same person or are spouses: **not** a director (or governor), supervisor, or employee of that other company or institution. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent.
8. Not a director, supervisor, officer, or shareholder holding five percent or more of the shares, of a specified company or institution that has a financial or business relationship with the company. Not apply to independent directors appointed in accordance with the Act or the laws and regulations of the local country by, and concurrently serving as such at, a public company and its parent or subsidiary or a subsidiary of the same parent, if the specified company or institution holds 20 percent or more and no more than 50 percent of the total number of issued shares of the public company.
9. Not a professional individual who, or an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that, provides auditing services to the company or any affiliate of the company, or that provides commercial, legal, financial, accounting or related services to the company or any affiliate of the company for which the provider in the past 2 years has received cumulative compensation exceeding NT\$500,000, or a spouse thereof; provided, this restriction does not apply to a member of the remuneration committee, public tender offer review committee, or special committee for merger/consolidation and acquisition, who exercises powers pursuant to the Act or to the Business Mergers and Acquisitions Act or related laws or regulations.
10. Not having a marital relationship, or a relative within the second degree of kinship to any other director of the company.
11. Not having any of the situations set forth in Article 30 of the Company Act of the ROC.
12. Not a government agency, juristic person, or its representative set forth in Article 27 of the Company Act of the ROC.

(II) General Manager, Deputy General Manager, Assistant Manager, Department and Branch Manager's information.

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Title	Name	Gender	Nationality	Date of election	Current holding of shares		Spouse and minor children, shares holding		Use of righteousness to hold shares		Education and major experiences	Current company and other companies' duties	A manager with a spouse or a close relationship		
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship
Managing Director of Topbi International	Zhou ZhiHong	Male	The People's Republic of China	2016.02	—	—	—	—	—	—	MBA of Nanchang University Vice President of Bailide Group Co. Ltd Managing Director of Bailide youth clothing Co., LTD	Managing Director of Topbi (China) Fashion Corp., Ltd. Director of Topbi International	—	—	—
Director of Administration Department of Topbi International	Wu DongFeng	Female	The People's Republic of China	2006.06	—	—	—	—	—	—	Major in Administrative management, Sanming Junior College Assistant of General Manager of Fujian Teknik Group Co., LTD Manager of human resources department, Fujian Toprich Group Co., LTD	Director of Administration Department of Topbi (China) Fashion Corp., Ltd. Vice President of Fujian Toprich Group Co., LTD	—	—	—
CFO of Topbi International	Wang Kuan-Hua	Male	Public of China	2013.03	—	—	—	—	—	—	Major in Accounting, Tamkang University Assistant Manager of Deloitte & Touche Taiwan Accounting Manager of Elitegroup Computer System Deputy General Manager of accounting center of Beijing Xunyi Innovative Electronic Co. Ltd	General Manager of Taiwan Toprich International Holdings Limited	—	—	—
Audit Manager of Topbi International	Chen Chien Wei	Male	Public of China	2013.04	—	—	—	—	—	—	Major in Agricultural economics, Taiwan university Leader of Group of Deloitte & Touche Taiwan Deputy director of the audit office of Tripod Technology Corporation	—	—	—	—

Title	Name	Gender	Nationality	Date of election	Current holding of shares		Spouse and minor children, shares holding		Use of righteousness to hold shares		Education and major experiences	Current company and other companies' duties	A manager with a spouse or a close relationship			
					Number of shares	Shareholding ratio	Number of shares	Shareholding ratio	Number of shares	Shareholding ratio			Title	Name	Relationship	
Director of Finance Department of Topbi (China) Fashion Corp., Ltd.	Cheng Zhang Tao	Male	The People's Republic of China	2019.08	—	—	—	—	—	—	Major in International Finance, Wuhan University MBA, Fuzhou University Director of Financial Center of Topbi (China) Fashion Corp., Ltd CFO of General Nice Resources (HK) Limited Public secretary and CFO of Fuzhou Wangcheng food development co. LTD	—	—	—	—	—
Director of R&D Department of Topbi (China) Fashion Corp., Ltd.	Guan YouJin	Male	The People's Republic of China	2004.02	—	—	—	—	—	—	Major in fashion design and engineering, Nanchang University Production manager of Fuzhou Rongshengmei textile clothing co., LTD.	—	—	—	—	—
Director of Marketing Department of Topbi (China) Fashion Corp., Ltd.	Lin, Yong	Male	The People's Republic of China	2007.01	—	—	—	—	—	—	Major in mathematics computer network, Fuzhou University Regional manager of Feimaotui (Fujian) electronics co., LTD	—	—	—	—	—
Director of Warehouse Department of Topbi (China) Fashion Corp., Ltd.	Yang Wen	Female	The People's Republic of China	2004.02	—	—	—	—	—	—	Major in logistics management, Minjiang vocational University Brand Deputy Manager of Fujian Toprich Group Co., LTD	—	—	—	—	—
Secretary of the Board of Topbi (China) Fashion Corp., Ltd.	Zhuang, LingFeng	Male	The People's Republic of China	2016.1	—	—	—	—	—	—	Major in Administrative Management, Fuzhou University Directors of Topbi (China) Fashion Corp., Ltd Office manager of the board of directors of Topbi (China) Fashion Corp., Ltd	—	—	—	—	—

(III) Remuneration of Directors, Independent Directors, Supervisors, President, and Vice Presidents

1. Payment of remuneration for directors and supervisors in the recent year

(a) Remuneration of Directors and Independent Director

Unit: NT \$ (thousand)

Title	Name	Directors remuneration						The total amount of A, B, C and D accounts for the ratio of net profit after tax		Remuneration of part-time employees						The total amount of items A, B, C, D, E, F and G accounts for the ratio of net profit after tax		Whether or not to receive remuneration from outside the subsidiary		
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C)				Business implementation expense (D)		Salaries, bonuses and special payments (E)		Retirement pension (F)					Employee compensation (G)	
		Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Cash bonus	Stock dividend	Cash bonus	Stock dividend		Our company	All companies in the financial report
Director	Zhou Xun Cai (Chairman)	330	330	-	-	1,721	1,721	-	-	0.18%	0.18%	1,788	9,798	-	-	-	-	0.34%	1.04%	None
	Zhou Zhi Hong (Note 3)																			
	Wang Kuan-Hua																			
	Ni RuiYing (Note 1)																			
	Chen Hsiao Hung (Note 2)																			
	Lee Tsung-Ju (Note 3)																			
	Chen DongSheng																			

Independent Director	Tsai ChiauHung (Note 2)	1,650	1,650	-	-	1,293	1,293	-	-	0.26%	0.26%	-	-	-	-	-	-	-	-	0.26%	0.26%	None
	Huang Yi-Tsung (Note 2)																					
	Lin Horng-Chang (Note 3)																					
	Chang Chih-Peng (Note 3)																					

Note 1: Ni RuiYing leaving as director on June 14, 2019 and resigned as finance director on July 31, 2019

Note 2: Chen Hsiao Hung, Huang Yi-Tsung and Tsai Chia-Hung leaving as directors and independent directors on June 14, 2019.

Note 3: Zhou Zhi Hong, Lee Tsung-Ju, Lin Horng-Chang, Chang Chih-Peng became new directors and independent directors on 14 June 2019

### Pay Scales

Range of Remuneration	Name of Director			
	Total of 4 remuneration(A+B+C+D)		Total of 7 remuneration(A+B+C+D+E+F+G)	
	Our company	All company in the financial report (I)	Our company	All company in the financial report (J)
Less than NT\$ 1,000,000	Zhou Xun Cai 、 Ni RuiYing 、 Wang Kuan-Hua 、 Chen DongSheng 、 Huang Yi-Tsung 、 Tsai Chia-Hung 、 Chen Hsiao Hung 、 Zhou Zhi Hong 、 Lee Tsung-Ju 、 Lin Horng-Chang 、 Chang Chih-Peng	Zhou Xun Cai 、 Ni RuiYing 、 Wang Kuan-Hua 、 Chen DongSheng 、 Huang Yi-Tsung 、 Tsai Chia-Hung 、 Chen Hsiao Hung 、 Zhou Zhi Hong 、 Lee Tsung-Ju 、 Lin Horng-Chang 、 Chang Chih-Peng	Zhou Xun Cai 、 Ni RuiYing 、 Chen DongSheng 、 Huang Yi-Tsung 、 Tsai Chia-Hung 、 Chen Hsiao Hung 、 Zhou Zhi Hong 、 Lee Tsung-Ju 、 Lin Horng-Chang 、 Chang Chih-Peng	Zhou Xun Cai 、 Chen DongSheng 、 Huang Yi-Tsung 、 Tsai Chia-Hung 、 Chen Hsiao Hung 、 Lee Tsung-Ju 、 Lin Horng-Chang 、 Chang Chih-Peng
NT\$1,000,000 ~ NT\$1,999,999	-	-	-	Ni RuiYing
NT\$2,000,000 ~ NT\$3,499,999	-	-	Wang Kuan-Hua	Wang Kuan-Hua



NT\$3,500,000 ~ NT\$4,999,999	–	–	–	–
NT\$5,000,000 ~ NT\$9,999,999	–	–	–	Zhou Zhi Hong
NT\$10,000,000 ~ NT\$14,999,999	–	–	–	–
NT\$15,000,000 ~ NT\$29,999,999	–	–	–	–
NT\$30,000,000 ~ NT\$49,999,999	–	–	–	–
NT\$50,000,000 ~ NT\$99,999,999	–	–	–	–
Greater than or equal to NT\$100,000,000	–	–	–	–
Total	11	11	11	11

(b) Remuneration of Supervisor: The company sets up the audit committee, so it does not apply.

## 2. Remuneration of general manager and deputy general manager

Unit: NT \$

Title	Name	Salary (A)		Retirement pension (B)		Bonus and special fees and so on (C)		Employee compensation (D)				Total amount of such items as A, B, C and D is the proportion of net profit after tax (%)		Whether or not to receive remuneration from outside the subsidiary.
		Our company	All companies in the financial report	Our company	All companies in the financial report	Our company	All companies in the financial report	Our company		All companies in the financial report		Our company	All companies in the financial report	
								Cash amount	Stock amount	Cash amount	Stock amount			
General Manager	Zhou ZhiHong	—	5,698	—	—	—	1,420	—	—	—	—	—	0.63%	None

### Pay scales

Range of Remuneration	Name of general manager and deputy general manager	
	Our Company	All company in the financial report (E)
Less than NT\$ 1,000,000	—	—

NT\$1,000,000 ~ NT\$1,999,999	—	—
NT\$2,000,000 ~ NT\$3,499,999	—	—
NT\$3,500,000 ~ NT\$4,999,999	—	—
NT\$5,000,000 ~ NT\$9,999,999	Zhou ZhiHong	Zhou ZhiHong
NT\$10,000,000 ~ NT\$14,999,999	—	—
NT\$15,000,000 ~ NT\$29,999,999	—	—
NT\$30,000,000 ~ NT\$49,999,999	—	—
NT\$50,000,000 ~ NT\$99,999,999	—	—
Greater than or equal to NT\$100,000,000	—	—
Total	1	1

3. Name of the manager who appoints the remuneration for the employees and the assignment status: The company does not distribute employee remuneration.

(IV) Comparison of Remuneration for Directors, Supervisors, President and Vice Presidents in the Most Recent Two Fiscal Years and Remuneration Policy for Directors, Supervisors, President and Vice Presidents

1. The ratio of total remuneration paid by the Company and by all companies included in the consolidated financial statements for the two most recent fiscal years to directors, supervisors, president, and vice presidents of the Company, to the net income:

Unit : NT\$ (thousand)

Project	2018				2019			
	Our company		Consolidated		Our company		Consolidated	
	Amount	%	Amount	%	Amount	%	Amount	%
Director	6,960	0.73	9,108	0.96	6,782	0.60	14,792	1.30
General manager and Deputy general manager	—	—	5,481	0.57	—	—	7,118	0.63
After-tax profit	953,626	100.00	953,626	100.00	1,134,819	100.00	1,134,819	100.00

Note: The company has an audit committee but no supervisors.

2. The policies, standards, and portfolios for the payment of remuneration, the procedures for determining remuneration, and the correlation with risks and business performance:
  - (a) The company has set up the remuneration board, which is chaired by the independent board of directors, and the remuneration board is responsible for regular review of policies, institutions, standards and structures of the board of directors and managers, and regularly assessing the salaries of directors and managers.
  - (b) In accordance with article 85 from the articles of association, the remuneration of the directors shall be determined by the board of directors in accordance with the standards of the Republic of China, and shall be subject to the provisions of article 7 of the remuneration committee, which shall refer to the general level of the industry, taking into account of the time and responsibilities of the individual, the performance of the individuals, the performance of the position requirement, the remuneration of the company standards for the same position for the current financial year, the achievement

of the company's short-term and long-term business objectives, the financial status of the company, and the rationality of the relationship between the performance of the company and future risks.

- (c) The manager's payroll, the scale of the firm's current operation and the amount of wages paid in the past year.

### 3) Implementation of Corporate Governance

#### (I) Information on the operation of the board of directors

A total of six (A) meetings of the Board of Directors were held in the previous period. The attendance of director and supervisor were as follows:

Title	Name	Attendance in Person (B)	By proxy	Attendance Rate (%) (B/A)	Remarks
Chairman	Zhou Xun Cai	6	-	100%	Re-appointed on June 14, 2019
Director	Ni RuiYing	2	-	100%	Term expired on June 14, 2019
Director	Wang Kuan-Hua	6	-	100%	Re-appointed on June 14, 2019
Director	Chen Hsiao-Hung	2	-	100%	Term expired on June 14, 2019
Director	Zhou Zhi Hong	4	-	100%	Newly appointed on June 14, 2019
Director	Lee Tsung-Ju	4	-	100%	Newly appointed on June 14, 2019
Independent director	Chen DongSheng	5	1	83%	Re-appointed on June 14, 2019
Independent director	Tsai Chia-Hung	1	1	50%	Term expired on June 14, 2019

Independent director	Huang Yi-Tsung	2	-	100%	Term expired on June 14, 2019
Independent director	Lin Horng-Chang	3	1	75%	Newly appointed on June 14, 2019
Independent director	Chang Chih-Peng	4	-	100%	Newly appointed on June 14, 2019

Other items to be recorded:

1. If the board of directors operates under any of the following circumstances, it shall specify the date of the board meeting, the period, the content of the proposal, the opinions of all independent directors.

(a) Matters referred to in Article 14-3 of the Securities and Exchange Act.

Board meetings	Motion and follow-up	Securities and exchange act 14-3 listed items	The independent director opposes or neutral	
The third session, 16th meeting 2019.3.25	1. Passing the proposal of the loans and transactions through subsidiaries	√	None	
	2. Passing the proposal of borrowing from the subsidiary – TOPBI (China) Fashion Corp., Ltd. through the company	√	None	
	3. Passing the proposal of the company's 2018 annual employee and director remuneration distribution	√	None	
	4. Passing the proposal of the company's 2018 annual internal control system effectiveness assessment and internal control statement	√	None	
	5. Passing the proposal in the amendment of the articles of association of the company	√	None	
	6. Passing the lifting the non-competition restrictions on the new directors	√	None	
	Opinions of independent directors: None			
	The firm's opinion on independent directors: None			
	The resolution: Zhou Xun Cai and Ni RuiYing are avoiding exercise their voting rights in the case of borrowing from the subsidiary – TOPBI (China) Fashion Corp., Ltd and the loans and transactions through subsidiaries. For the case of the to relieve the restriction of managers non-compete, Wang Kuan Hua's right to excuse to avoid exercise voting rights, all the attending of directors and independent directors passed the case without objection.			
	1. Passing the proposal of the company's annual distribution of profit in 2018	√	None	

The third session, 17th meeting 2019.4.30	2. Passing the proposal for a new share issuance through capitalization of earnings in 2018	√	None
	3. Passing the proposal to adopt the company's new board performance evaluation measures and the standard operating procedures for handling the requirements of directors and to revise the procedures for acquiring or disposing of assets, the management measures for lending funds and others, and the provisions of the endorsement guarantee management measures	√	None
	4. Passing the annual audit fee and accounting independence of the company in 2019	√	None
	Opinions of independent directors: None		
	The firm's opinion on independent directors: None		
	The resolution: The board of directors and independent directors unanimously passed		
The fourth session, 1st meeting 2019.6.24	1. Passing the proposal of the transfer of trademarks between subsidiaries	√	None
	2. Passing the proposal of the transfer of equity between subsidiaries	√	None
	3. Passing the proposal of deregistration the subsidiary FUJIAN SDO TEXTILE INDUSTRY GOODS CORP., LTD	√	None
	4. Passing the proposal to appoint members of the remuneration committee	√	None
	Opinions of independent directors: None		
	The firm's opinion on independent directors: None		
The resolution: For the case to appoint members of the remuneration committee, Chen DongSheng, Lin Horng-Chang and Chang Chih-Peng are avoiding exercise their voting rights. The attending directors and the independent directors all approve without objection.			
The fourth session, 2 <sup>nd</sup> meeting 2019.8.6	1. Passing the proposal of the list of employees transferred through the company's buyback of shares in 2018	√	None
	2. Passing the proposal of the salaries of director and independent director	√	None
	3. Passing the proposal of the short-term investment plan of the company and its subsidiaries in 2019	√	None
	Opinions of independent directors: None		
	The firm's opinion on independent directors: None		
	The resolution: The board of directors and independent directors unanimously passed		
The fourth session, 3rd meeting	1. Passing the proposal of the company's shareholders to adjust the interest rate and rights issue rate	√	None

2019.11.12	Opinions of independent directors: None		
	The firm's opinion on independent directors: None		
	The resolution: The board of directors and independent directors unanimously passed		
The fourth session, 4th meeting 2019.12.30	1. Passing the proposal of the organization procedures and salary management measures of the company's remuneration committee	√	None
	2. Passing the proposal of implementation of the 2019 board performance appraisal plan	√	None
	Opinions of independent directors: None		
	The firm's opinion on independent directors: None		
	The resolution: The board of directors and independent directors unanimously passed		

(b) In addition to the preceding items, other independent directors who have objected or retained their opinion and have a record or written notice: None

2. The directors shall specify the name of the directors, the contents of the motion, the reasons for the withdrawal of interests and the circumstances of participation in the voting:

Name	Contents of motion	Reasons for avoiding interest	Voting situation
Zhou Xun Cai, Ni Rui Ying	Passing the proposal of loans and transactions through subsidiaries.	interest at stake	Approval from the other directors
Zhou Xun Cai, Ni Rui Ying	Passing the proposal of borrowing from the subsidiary – Topbi (China) Fashion Co., Ltd.	interest at stake	Approval from the other directors
Wang Kuan-Hua	Passing the proposal of the company to remove the manager's non-competition restrictions.	interest at stake	Approval from the other directors
Chen DongSheng, Lin Horng-Chang, Chang Chih-Peng	Passing the proposal of the members appointment of the remuneration committee.	interest at stake	Approval from the other directors

3. Implementation of self-evaluations by the Company's Board of Directors:



Evaluation Cycle	Evaluation Period	Scope of Evaluation	Evaluation Method	Evaluation Items
Once a year	Performance evaluation for January 1, 2019 to December 31, 2019	Board of Directors	Board of Directors self-evaluation	1. Participation in the operation of the company. 2. Improvement of the quality of the board of directors' decision making. 3. Composition and structure of the board of directors. 4. Selection and continuing education of directors. 5. Internal control

4. Objectives and performance evaluation of the board functions of the current year and the most recent year: The audit committee was established on March 18, 2013.

(II) The operation of the audit committee or the supervisory board's participation in the operation of the board of directors.

A total of six (A) Audit Committee meetings were held in the previous period. The attendance of the independent directors was as follows:

Title	Name	Attendance (B)	By proxy	Attendance rate (%) (B/A)	Remarks
Independent director	Chen DongSheng	5	1	83.33%	Re-appointed on June 14, 2019
Independent director	Tsai Chia-Hung	1	1	50%	Tern Expired on June 14, 2019
Independent director	Huang Yi-Tsung	2	–	100%	Tern Expired on June 14, 2019

Independent director	Lin Horng-Chang	4	–	100%	Newly appointed on June 14, 2019
Independent director	Chang Chih-Peng	4	–	100%	Newly appointed on June 14, 2019

Other items to be recorded:

1. If the audit committee operates under any of the following circumstances, it shall specify the date, the period, the content of the proposals, the opinions of all independent directors.

(a) Matters referred to in Article 14-5 of the Securities and Exchange Act.

Audit Committee	Motion and follow-up	Securities and exchange act 14-5 listed items	The independent director opposes or neutral
The third session, 16th meeting 2019.3.25	1. Passing the proposal of the loans and transactions through subsidiaries	√	None
	2. Passing the proposal of borrowing from the subsidiary – TOPBI (China) Fashion Corp., Ltd. through the company	√	None
	3. Passing the proposal of the company's 2018 annual employee and director remuneration distribution	√	None
	4. Passing the proposal of the company's 2018 annual internal control system effectiveness assessment and internal control statement	√	None
	5. Passing the proposal in the amendment of the articles of association of the company	√	None
	6. Passing the lifting the non-competition restrictions on the new directors		
	Audit committee opinion: None		
	Opinions of independent directors: None		
	Resolution result: All members of the board of auditors have passed without objection		
The third session, 16th meeting 2019.4.30	1. Passing the proposal of the company's annual distribution of profit in 2018	√	None
	2. Passing the proposal for a new share issuance through capitalization of earnings in 2018	√	None
	3. Passing the proposal to adopt the company's new board performance evaluation measures and the standard operating procedures for handling the requirements of directors and to revise the procedures for acquiring or disposing	√	None

	of assets, the management measures for lending funds and others, and the provisions of the endorsement guarantee management measures		
	4. Passing the annual audit fee and accounting independence of the company in 2019	√	None
	Audit committee opinion: None		
	Opinions of independent directors: None		
	Resolution result: All members of the board of auditors have passed without objection		
The fourth session, 1st meeting 2019.6.24	1. Passing the proposal of the transfer of trademarks between subsidiaries	√	None
	2. Passing the proposal of the transfer of equity between subsidiaries	√	None
	3. Passing the proposal of deregistration the subsidiary FUJIAN SDO TEXTILE INDUSTRY GOODS CORP., LTD	√	None
	Audit committee opinion: None		
	Opinions of independent directors: None		
	Resolution result: All members of the board of auditors have passed without objection		
The fourth session, 2 <sup>nd</sup> meeting 2019.8.6	1. Passing the proposal of the list of employees transferred through the company's buyback of shares in 2018	√	None
	2. Passing the proposal of the short-term investment plan of the company and its subsidiaries in 2019	√	None
	Audit committee opinion: None		
	Opinions of independent directors: None		
	Resolution result: All members of the board of auditors have passed without objection		
The fourth session, 3rd meeting 2019.11.12	1. Passing the proposal of the company's shareholders to adjust the interest rate and rights issue rate	√	None
	Audit committee opinion: None		
	Opinions of independent directors: None		
	Resolution result: All members of the board of auditors have passed without objection		
The fourth session, 4th meeting 2019.12.30	1. Passing the proposal of the organization procedures and salary management measures of the company's remuneration committee	√	None
	Audit committee opinion: None		
	Opinions of independent directors: None		
	Resolution result: All members of the board of auditors have passed without objection		

(b) In addition to the preceding items, other items which was not passed by the audited committees and has passed through with the consent of more than two-thirds of all directors: None.

2. The independent director shall state the name of the independent director, the content of the motion, the reasons for the withdrawal of the interest and the voting conditions of the independent director: None.
3. The communication between the independent director and internal audit supervisor and the accountant (including the major issues, financial and business status of the company) : The audit committee of the company shall investigate the business and financial situation of the company at any time, and shall request the directors or managers to contact accountant if necessary; In addition, the internal audit supervisor will report to the independent director on a regular basis. Accountants also attend on the quarterly audit committee or board meetings and independently communicate and interact with each other on issues relating to the review or examination of financial statements or financial, tax or internal controls.

(III) Corporate Governance Implementation Status and Deviations from “the Corporate Governance Best-Practice Principles for TWSE/TPEX Listed Companies”

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on governance of listed companies
	Yes	No	Abstract Illustration	
1. Does the company establish and disclose the code of practice on corporate governance based on the code of practice on the corporate governance of listed companies?	Yes		The company has established a code of practice on corporate governance in accordance with the code of practice on the corporate governance of listed companies and has disclosed the relevant contents to the company's website and the public information observatory.	No significant difference
2. Equity structure and shareholders' equity of the company.				
(a) Whether the company has set up an internal operation procedure to deal with shareholder's suggestions, doubts, disputes, and lawsuits, and to implement them in accordance with the procedures?	Yes		(a) The company has set up a spokesperson and a dedicated person for the unit to handle the proposal or dispute of the shareholders and shall coordinate the execution by the relevant company.	No significant difference
(b) Does the company have a list of the main shareholders of the company and the ultimate controller of the major shareholders?	Yes		(b) To provide actual information through the security firms, which is required by the law to expose the final control of the major shareholders and the major shareholders.	No significant difference
(c) Whether the company has established, implemented, and implemented the risk control and firewall mechanism between enterprises?	Yes		(c) The assets and financial responsibilities of each relationship enterprise shall be independent and handled according to the internal control system of the company, the risk control and firewall mechanism shall be implemented.	No significant difference
(d) Whether the company sets internal standards and prohibits the company's insiders from taking	Yes		(d) The company has set up "prevention of insider trading procedures" and prohibits the company insiders from taking	No significant difference

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on governance of listed companies
	Yes	No	Abstract Illustration	
advantage of the non-public information in the market to buy and sell securities?			advantage of the unpublished information in the market to buy and sell securities.	
3. Composition and responsibilities of the board of directors. (a) Does the board have a diversity policy and implementation? (b) In addition to the remuneration committee and audit committee, does the company voluntarily set up other functional committees? (c) Have the company established a board performance evaluation and assessment method, and conduct performance evaluations annually? (d) Does the company regularly assess the independence of the CPA?	Yes Yes Yes Yes		(a) The directors of the company have different expertise in various fields and are helpful in the development and operation of the company. (b) The company has set up the audit committee and the remuneration committee, other functional commissions shall be subject to separate authorization by the board of directors. (c) The company has established the board of directors' performance evaluation to deal with the performance review of the board of directors of the preceding year, information is collected by the board committee and reported to the board of directors. (d) The company has assessed the independence of the accountants each year in accordance with the regulations, the accounting independence are prepared by the financial center. The content includes factors such as self-interest, self-assessment, defense, familiarity and intimidation, which will affect the independence of the accountant, the results are reported to the board of directors.	No significant difference No significant difference No significant difference No significant difference
4. Whether the listed company of the configuration and the corporate governance of the appropriate	Yes		The company has not appointed a director of corporate governance, the office of the board of directors is the corporate governance unit,	No significant difference

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on governance of listed companies
	Yes	No	Abstract Illustration	
number of personnel competency, and specify the head of corporate governance, responsible for corporate governance related issues (including but not limited to provide the required information to perform business directors and supervisors, assist to follow the law, directors and supervisors in accordance with the meeting of the board of directors and shareholders related issues, such as making the board of directors and the shareholders' committee proceedings?			responsible for corporate governance related matters. This includes assisting directors in complying with laws and regulations, providing information necessary for directors to carry out their business, handling matters relating to meetings of the board of directors and the board of shareholders according to law, handling company registration and change registration, and making the proceedings of the board of directors and the board of shareholders' meetings.	
5. Does the company establish a communication channel with stakeholders (including but not limited to shareholders, employees, customers and suppliers etc.), does the company's corporate site has a stakeholders' zones, and respond to stakeholders regarding the importance of corporate social responsibility?	Yes		The company is equipped with specialist and corporate email, to deal with company related foreign relations. In the company's web site, it contains a corporate zone, this optimize the response to stakeholder regarding the importance of corporate social responsibility.	No significant difference
6. Does the company appoint a professional stock agency to handle the affairs of the shareholders' committee?	Yes		The company has appointed the professional stock agent - Capital Securities Corp. to handle the shareholders' affairs.	No significant difference

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on governance of listed companies
	Yes	No	Abstract Illustration	
7. Information disclosure				
(a) Does the company set up a website to disclose financial business and corporate governance information?	Yes		(a) The company has set up a Chinese website, and the information regarding the company's financial business and corporate governance will continue to be disclosed.	No significant difference
(b) Whether the company adopt other methods of information disclosure (e.g., setting up an English website, assigning a responsible to gather information, corporate talk held by the legal person).	Yes		(b) The company has a Chinese web site and it displays the company's financial information and information on corporate governance, revealing "public information observatory", a corporate presentation in accordance with the provisions of the securities exchange, and the company has corporate talk held by the legal person in accordance with relevant laws.	No significant difference
(c) Does the company announce and report its annual financial reports within two months after the end of the fiscal year, and report its first, second and third quarter financial reports and monthly operations earlier than the prescribed time limit?	Yes		(c) The company announces the relevant financial information at the specified time.	No significant difference
8. Does the company provide other important information to help in understanding the company operational situation (including but not limited to employee rights, employee benefits, investor relations, supplier relations, directors and supervisors' continued education, risk management policies and the implementation of	Yes		1. Board of directors continued education, note 1. 2. In respect of the employees' rights and maintenance measures, the company has an internal control system and various other measures in place, the content clearly states the employees' rights and obligations, contents of employee welfare are regularly reviewed in order to maintain employees' interest.	No significant difference



Evaluation Item	Implementation Status			The differences and reasons of the code of practice on governance of listed companies
	Yes	No	Abstract Illustration	
risk measure, as well as the purchase of liable insurance for directors and supervisors etc.)?			<p>3. The company has not purchased liability insurance for directors and supervisors, and the necessity of purchasing liability insurance shall be evaluated in the future.</p> <p>4. The implementation of risk management policies and risk management standards shall be submitted to the management level during the board of directors meeting. The audit department shall submit the annual audit plan to the board of directors according to the risk assessment plan, the actual audit situation and report shall be reviewed by the members of the audit committee. In addition, the relevant departments of the company should have completed the internal control assessment for the year, and hereby declares the book through the internal control system.</p>	

9. Please referred to the annual corporate governance evaluation released by the Taiwan Stock Exchange, it shows our recent improvements, and we priorities to strengthen the matters that have yet to be improved.

The company's corporate governance assessment in 2018 has improved as follows.

Content of evaluation	Improved situation
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Have the board of directors approved the board's performance evaluation procedures and conducted at least one self-evaluation a year, with the results disclosed on the company's website or annual report?	The company has established the board of directors' performance evaluation method, and the board of directors approved, to be implemented this year, the results of the evaluation will be disclosed on the company's website or annual report.
The company has obtained OHSAS18001 2004 environmental management system certification.	The company has obtained OHSAS18001 2004 environmental management system certification.

Matters and measures that have not been improved:

<b>Content of evaluation</b>	<b>Improved situation</b>
Whether the articles of association stipulate that the election of all directors/supervisors should adopt the candidate nomination system, and disclose the nomination review standards and operating procedures in the open information observatory in case of the election of directors/supervisors	The company has stipulated that the independent director should adopt the nomination system.
Will the company hold a general meeting before the end of May?	The company has given priority to holding a regular meeting of shareholders before the end of May.
Does the company have a diversity policy for board members and disclose the implementation of the diversity policy in the annual report and on the company website?	The directors of the company have different expertise in various fields, which is helpful to the development and operation of the company.
Does the company upload its annual report 14 days before the meeting?	Our annual reports are expected to be posted by the shareholders' meeting 14 days in advance.
Does the company upload an English annual report before the shareholders' meeting 7 days in advance?	The company has not prepared an English annual report.
Does the company submit a meeting notice in English 30 days prior to the meeting of shareholders?	The company is expected to upload English meeting notice 30 days in advance.
Is the company's remuneration committee convened at least twice a year and attended by all committee members at least twice a year?	The remuneration committee of the company shall be convened at least twice a year and shall be attended by all committee members at least twice a year.

<b>Content of evaluation</b>	<b>Improved situation</b>
Does the company have a non-statutory functional committee with at least three members and more than half of its members as independent directors, and disclose its composition, responsibilities and operations?	The company has set up a remuneration committee composed of three independent directors.
Does the company disclose the communication between the independent director and the internal audit director and accountant (e.g., the way, matters and results of communication on the company's financial report and financial business status) on the company website?	The company will give priority to evaluating the communication between independent directors and internal audit directors and accountants on the company website.
Does the company have corporate governance professionals who are responsible for corporate governance related matters and explain the operation and implementation of the units in the annual report and on the company website?	The company will give priority to the assessment of the establishment of corporate governance staff, responsible for corporate governance related matters, and explain the operation and implementation of the establishment unit in the annual report and on the company website.
Does the independent director of the company complete his studies in accordance with the time limit of "the directors and supervisors of the listed company"?	The company will assist the directors to complete their studies in accordance with the time limit of "the directors and supervisors of the listed companies".
Has the company established a board performance evaluation method or procedure that has been approved by the board of directors, that external evaluation should be carried out at least once every three years, and that the evaluation should be carried out within the time limit set by the method, and that the performance and evaluation results should be disclosed on the company's website or annual report?	The company has established the board performance evaluation method, and the board of directors has approved it. The company will give priority to the external evaluation at least once every three years and execute the evaluation within the time limit set by the method and disclose the implementation situation and evaluation results on the company's website or annual report.
Are the directors and supervisors of the company completing the study according to the hours specified in the "key points for the implementation of study for directors and supervisors of listed and listed companies"?	The company will assist the directors to complete the study in accordance with the hours specified in the "implementation guidelines for the study of directors and supervisors of listed and listed companies".
Are the independent directors of the company completing the study according to the hours specified in the "key points for the implementation of study for directors and supervisors of listed and listed companies"?	The company will assist the independent directors to complete the study in accordance with the hours specified in the "implementation guidelines for the study of directors and supervisors of listed and listed companies".
Does the company declare significant information in English?	The company will increase the relevant manpower in 2020 to declare the important information in English.

<b>Content of evaluation</b>	<b>Improved situation</b>
Does the company release its annual financial report within two months after the end of the fiscal year?	The company will study to release the annual financial report within two months after the end of the fiscal year.
Has the company voluntarily published its financial forecast for the four quarters and the relevant operations have not been corrected by the competent authority or recorded in the stock exchange or counter purchase center?	The company will study and publish the financial forecast report for the four quarters, and the relevant operation has not been corrected by the competent authority, the stock exchange or the counter purchase center.
Does the annual report voluntarily disclose the remuneration of individual directors and supervisors?	The company gives priority to the disclosure of individual directors and supervisors.
Does the company's annual report voluntarily disclose the amount and nature of the non-audit fees paid by the certified public accountants and their affiliated accounting firms?	We have been able to disclose the amount and nature of our non-audit fee, which is more than a quarter of the amount of the audit fee, so it is not voluntarily disclosed.
Does the company's annual report and website disclose the list of major shareholders, including the names, amounts and proportions of shareholders with a shareholding ratio of more than 5% or the top ten shareholders?	The company gives priority to the disclosure of the list of major shareholders in the company's annual report and website, including shareholders with a shareholding ratio of more than 5% or shareholders with a shareholding ratio of the top 10 shareholders, the amount and proportion of shares.
Does the company's website or public information observatory disclose complete financial statements (including financial statements and notes) in English?	The company priorities the establishment of an English company website with financial, business and corporate governance information.
Does the company have an appropriate governance structure in place to formulate and review corporate social responsibility policies, systems or related management policies that are disclosed in the annual report and on the company website?	The company priorities the establishment of an appropriate governance structure for the formulation and review of CSR policies, systems or related management policies, which are disclosed in the annual report and on the company website.
Does the company set up special (and part-time) units to promote corporate social responsibility and business integrity, and explain the operation and implementation of the units in the annual report and the company website, and report to the board of directors regularly?	The company gives priority to the assessment and promotion of corporate social responsibility and business integrity professional (part-time) units and describes the operation and implementation of the units in the annual report and company website, and regularly reports to the board of directors.
Does the company regularly disclose its CSR promotion plans and implementation results in its annual report and on its website?	The company priorities the disclosure of CSR promotion plans and implementation results in the annual report and the company website.
Does the company refer to the international guidelines for the preparation of corporate social responsibility reports and other disclosure of non-financial information? [for voluntary compilation, an additional 1 point will be added to the total score.]	The company has not prepared a corporate social responsibility report.

<b>Content of evaluation</b>	<b>Improved situation</b>
Are corporate social responsibility reports prepared by the company, which disclose non-financial information of the company, verified by third parties?	The company has not prepared a corporate social responsibility report.
Does the company sign a collective agreement with the union under the collective agreement law?	The company's employees are not unionized.
Does the company have policies that reflect performance or results appropriately in employee compensation and disclose them in annual reports or on the company website?	The company shall give priority to the evaluation and formulation of policies to reflect the business performance or results in the employee compensation and disclose them in the annual report or the company website.
Does the company's annual report and website reveal the work environment and personal safety protection measures and their implementation?	The company gives priority to the annual report of the company and the website to disclose the protection measures and implementation conditions of employees' working environment and personal safety.
Does the company disclose annual emissions of carbon dioxide or other greenhouse gases in the past two years? [for external verifiers, an additional 1 point will be added to the total score.]	The company has not measured annual emissions of carbon dioxide or other greenhouse gases in the past two years.
Does the company have policies for energy conservation, carbon reduction, greenhouse gas reduction, water reduction or other waste management?	The company has not measured annual emissions of carbon dioxide or other greenhouse gases in the past two years.
Does the company website or annual report reveal the identity, concerns, communication channels and response methods of identified stakeholders?	The company gives priority to the identification of stakeholders, issues of concern, communication channels and response methods disclosed on the company's website or annual report.
Does the company's website or annual report disclose the integrity management policy, specify specific practices and prevent dishonest behavior?	The company gives priority to the assessment of the company website or annual report disclosure of the integrity of the business policy, the specific practices and prevention of dishonest behavior plan.
Does the company have a disclosure system for illegal (including corrupt) and immoral ACTS by internal and external personnel that is detailed on the company website?	The company gives priority to the assessment of the company's established and detailed disclosure system for illegal (including corruption) and immoral behaviors by internal and external personnel on the company's website.
Does the company have a supplier management policy that requires it to work with suppliers to comply with relevant standards on environmental protection, safety or	The company priorities the development of supplier management policies, requires the cooperation with suppliers, in environmental protection, safety or health and other issues to follow the relevant norms, to work together to improve corporate

health issues in a joint effort to promote corporate social responsibility, which is disclosed on the company website or CSR report?	social responsibility, and corporate social responsibility report on the company website or disclosure.
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Remarks 1: The situation of directors' further study in 2019.

Title	Name	Date	Hours	Organization	Course
Director	Wang Kuan-Hua	2019.12.23	2	Taiwan Listed Counter Company Association	2020 Domestic and International Economic Outlook
Independent director	Chang Chih-Peng	2019.07.25	3	Republic of China Certified Public Accountant Association	New Audit Report (I)
		2019.07.26	3	Republic of China Certified Public Accountant Association	New Audit Report (II)
		2019.11.27	3	Republic of China Certified Public Accountant Association	Enterprises Mergers and Acquisitions
		2019.12.17	3	Republic of China Certified Public Accountant Association	Prevent Money Laundering and Combat Terrorism
Director	Lin Horng-Chang	2019.08.02	3	Taiwan Corporate Governance Association	Strategy and Execution
		2019.11.01	3	Taiwan Corporate Governance Association	Analysis of the impact of global trends on Taiwan enterprises

	2019.11.12	3	Taiwan Corporate Governance Association	Trends and important norms in the development of money laundering and capital - terror prevention
	2019.12.24	3	Securities & Futures Institute Association	From the point of view of internal control and finance to focus on investment business and subsidiary supervision

(IV) Composition, Responsibilities and Operations of the Remuneration Committee.

1. Member information of remuneration committee.

Title	Name	Criteria			Independent Criteria (Note)										Concurrently assume other public company remuneration committee member number	Remark		
		More than 5 years working experience. And the following professional qualifications.	Business, legal, financial, accounting or related departments of public and private universities for public and private universities that are required by the company business	Judges, prosecutors, lawyers, accountants or other professional technicians who have a certificate with the national examination required by the company's business	Business, legal, financial, accounting or business required work experience	1	2	3	4	5	6	7	8	9			10	
Independent director	Chen Dongsheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent director	Tsai Chia-Hung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent director	Huang Yi-Tsung			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent director	Lin Horng-Chang		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent director	Chang Chih-Peng			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-

Note: Please tick the corresponding boxes that apply to a member during the two years prior to being elected or during the term(s) of office.



- (a) Not an employee of the Company or any of its affiliates.
- (b) Not a director or supervisor of the Company or any of its affiliates (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (c) Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of one percent or more of the total number of issued shares of the company or ranks as one of its top ten shareholders.
- (d) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship of a manager in (1) or personnel in (2) and (3).
- (e) Not a director, supervisor, or employee of a corporate shareholder that directly holds 5% more of the Company's outstanding shares, is a top five shareholder, or appointed a representative as the Company's director or supervisor in accordance with Article 27, Paragraph 1 or 2 of the Company Act (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (f) Not a director, supervisor, or employee of other companies controlled by the same person with over half of the Company's director seats or shares with voting rights (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (g) Not a director, supervisor, or employee of another company or institution who is the same person or spouse of the Company's chairperson, president or equivalent position (not applicable in cases where the person is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (h) Shareholders (not applicable in cases where the specific company or institution holds 20% or more but less than 50% of the Company's outstanding shares, and is an independent director of the Company, its parent company, subsidiary, or the subsidiary of the same parent company in accordance with the Act or with local laws).
- (i) Not a professional individual who, or an owner, partner, director, supervisor, or manager of a sole proprietorship, partnership, company, or institution that audited or provided commercial, legal, financial, or accounting services for total compensation not exceeding NT\$500,000 in the most recent two years to the company or to any affiliate of the company, or a spouse thereof, This does not apply to members of the Remuneration Committee, Public Tender Offer Review Committee, or Merger and Acquisition Special Committee performing duties in accordance with the Securities and Exchange Act or laws and regulations related to mergers and acquisitions.
- (j) Not having any of the situations set forth in Article 30 of the Company Act of the R.O.C.

2. Remuneration committee responsibilities.

The remuneration committee is committed to good management, and faithfully performs the functions and powers of the committee and shall submit the proposals to the board of directors for discussion.:

- (a) To formulate and regularly review the policies, institutions, standards and structure of the directors and the managers, the performance reviews and the remuneration.
- (b) To regularly evaluate and develop the remuneration of directors and managers.

3. Remuneration committee's operation information.

- (a) The compensation committee of the company has 3 members.
- (b) Term of office: 14.06.2019-13.06.2022. The remuneration committee recently has met 3 times (A) in the 2019 annual report, members and attendance are as follows:

Title	Name	Attendance (B)	By Proxy	Attendance Rate (%) (B/A)	Remarks
Convener	Tsai Chia-Hung	1	-	100%	Team expired on June 24, 2019
Member	Huang Yi-Tsung	1	-	100%	Team expired on June 24, 2019
Member	Chen DongSheng	3	-	100%	Re-appointed on June 24, 2019
Member	Lin Horng-Chang	2	-	100%	Newly appointed on June 24, 2019
Convener	Chang Chih-Peng	2	-	100%	Newly appointed on June 24, 2019

Other items to be recorded:

1. If the board of directors declines to adopt or modifies a recommendation of the remuneration committee, it should specify the date of the meeting, session, content of the motion, resolution by the board of directors, and the Company's response to the remuneration committee's opinion (eg., the remuneration passed by the Board of Directors exceeds the recommendation of the remuneration committee, the circumstances and cause for the difference shall be specified): None.
2. Resolutions of the remuneration committee objected to by members or expressed reservations and recorded or declared in writing, the date of the meeting, session, content of the motion, all members' opinions and the response to members' opinion should be specified: None.

(V) Fulfillment of Social Responsibility and Deviations from the "Corporate Social Responsibility Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons.

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	Summary	
1. Does the company conduct risk assessment on environmental, social, and corporate governance issues related to the company's operations and formulate relevant risk management policies or strategies in accordance with the materiality principle?	Yes		Our management of the company carries out risk assessment on environmental, social, and corporate governance issues related to the operation of the company in accordance with the principle of materiality, and formulates relevant risk management policies or strategies, such as safety technical specifications for infants and children's textile products, to ensure the safety of children's clothing.	There are no significant differences.
2. Does the company have a corporate social responsibility (CSR) promotion unit, which is authorized by the board of directors to senior management and reported to the board of directors?	Yes		Our company establishes a corporate social responsibility (CSR) professional unit in the office of the board of directors, which shall be authorized by the board of directors to deal with the issue by the senior management and report the situation to the board of directors.	There are no significant differences.
3. Environmental Issues (I) Does the company establish a suitable environmental management system according to its industrial characteristics?	Yes		(I) Our subsidiary company – Topbi (China) Fashion Corp., Ltd is a subsidiary company for research and sales, which is not related to relevant environmental pollution problems; The other subsidiary – Fujian SDO Textile & Industry Goods Corp., Ltd has no business activity and does not involve in relevant environmental pollution problems.	There are no significant differences.

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	Summary	
(II) Is the company committed to improving the efficiency of resources and using recycled materials with low impact on the environment?	Yes		(II) Our company is committed to improving the utilization efficiency of various resources and encourages the employees to promote low-carbon office and water-saving electricity.	There are no significant differences.
(III) Does the company assess current and future potential risks and opportunities from climate change and take action on climate-related issues?	Yes		(III) When designing children's wear products, the company evaluates the present and future potential risks and opportunities of climate change and launches products such as sunscreen clothing in response to climate-related issues.	There are no significant differences.
(IV) Has the company made statistics on greenhouse gas emissions, water consumption and total weight of waste in the past two years, and formulated policies for energy conservation and carbon reduction, greenhouse gas reduction, water use reduction or other waste management?	Yes		(IV) Our company to promote low-carbon office, water and electricity saving and other good habits.	There are no significant differences.
4. Social Issues				
(I) Does the company formulate appropriate management policies and procedures according to relevant regulations and the International Bill of Human Rights?	Yes		(I) Our company has formulated relevant management policies and procedures in accordance with relevant laws and regulations and international human rights conventions.	There are no significant differences.
(II) Does the company have reasonable employee benefit measures (including salaries, leave, and other benefits), and do business performance or results reflect on employee salaries?	Yes		(II) Our company has formulated and implemented reasonable employee benefit measures (including salaries, leave and other benefits) in the salary management method, and appropriately reflected the business performance or results in the employee salaries.	There are no significant differences.

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	Summary	
(III) Does the company provide a safe and healthy working environment and provide employees with regular safety and health training?	Yes		(III) Our company has provided a safe and healthy working environment for employees and conducted staff education and training in accordance with building public safety, fire safety and other relevant laws and regulations.	There are no significant differences.
(IV) Does the company set up effective career development and training programs for its employees?	Yes		(IV) Our company has established effective career development and training programs for employees, and regularly conducts relevant trainings for employees.	There are no significant differences.
(V) Does the company comply with relevant regulations and international standards in customer health and safety, customer privacy, and marketing and labeling its goods and services, and has it established consumer rights protection policies and complaint procedures?	Yes		(V) The company has complied with the relevant regulations and international standards for the marketing and labeling of its products and services.	There are no significant differences.
(VI) Does the company have a supplier management policy, require suppliers to comply with regulations on environmental protection, occupational safety and health, and labor rights, and what is its implementation status?	Yes		(VI) Our company has formulated supplier management policies, requiring suppliers to follow relevant norms in environmental protection, occupational safety and health, labor rights and other issues, and will renew the contract only after regular inspection of whether the supplier is in compliance.	There are no significant differences.
5. Does the company prepare corporate social responsibility reports and other reports that disclose non-financial information of the company in accordance with		No	According to the overall development of the company in accordance with the international standards and guidelines for the preparation of reports, the company prepares corporate social responsibility reports and other reports that disclose the company's non-financial	There are no significant differences

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	Summary	
international reporting standards or guidelines? Has the report been confirmed or endorsed by a third party?			information, and obtain the confirmation or assurance from the third party verification unit.	
6. If a company has its own corporate social responsibility code of practice in accordance with the corporate social responsibility code of practice for listed companies, please state the difference between its operation and the code of practice: The company has established and adhered to the code of practice on corporate social responsibility for listed companies without material difference.				
7. The corporate social responsibility report should be explained in the form of verification by the relevant authorities: The company has passed ISO 9001: 2008 international quality management system certification, ISO 14001: 2004 environmental management system certification, OHSAS 18001: 2007 occupational health and safety management system certification.				

(VI) Implementation of Ethical Corporate Management and Deviations from the "Ethical Corporate Management Best-Practice Principles for TWSE/TPEX Listed Companies" and Reasons

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	Summary	
<p>1. Establish integrity business policy and proposal</p> <p>(I) Does the company have a policy of honest management approved by the board of directors, and clearly state the policy and practice of honest management in the regulations and external documents, as well as the commitment of the board of directors and senior management to actively implement the policy?</p> <p>(II) Does the company established an assessment mechanism for the risk of dishonest conduct, regularly analyzed and evaluated the business activities with high risk of dishonest conduct within its business scope, and formulated a plan to prevent dishonest conduct, including at least the preventive measures for the behaviors in item 2, article 7 of the code of conduct for listed and listed companies? Does the company take preventive measures against the business activities of the "ethical code of conduct for listed</p>	<p>Yes</p> <p>Yes</p>		<p>(I) Our company has formulated the "code of ethics" and "code of conduct for ethical management" (collectively referred to as the "code of ethics").All colleagues and members of the board of directors of the company shall believe in and practice the aforementioned integrity standards and shall implement them in the internal management and external business activities. All colleagues and board members of our company abide by the aforementioned integrity standard, there is no need to set up a plan to prevent dishonest behavior.</p> <p>(II) All colleagues of the company and members of the board of directors follow the above code of good faith, which prohibits bribery and accepting bribes and illegal political contributions.</p>	<p>There are no significant differences.</p> <p>There are no significant differences.</p>



Evaluation Item	Implementation Status			The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	Summary	
<p>companies" article 7, paragraph 2, or other business activities with higher risk of dishonesty?</p> <p>(III) Does the company implement and regularly review and revise the pre-disclosure plan in accordance with the operational procedures, conduct guidelines and disciplinary and complaint systems for violations of the code of conduct in the prevention of dishonest conduct plans?</p>	Yes		(III) All colleagues of the company and the members of the board of directors follow the above code of integrity, and there is no need to formulate a plan to prevent dishonest behavior.	There are no significant differences.
<p>2. Integrity management</p> <p>(I) Does the company assess the integrity record of the other party and stipulate the terms of good faith in the contract with the other party?</p> <p>(II) Does the company have a dedicated unit under the board of directors to promote business integrity and report to the board of directors regularly (at least once a year) on its integrity policies, prevention plans and implementation monitoring?</p>	Yes		<p>(I) Our company's personnel shall avoid engaging in business transactions with agents, suppliers, customers or other business contacts that are not in good faith, and shall immediately cease their business dealings with those who have found to have dishonest behaviors, and shall list them as objects of refusal, in order to implement the company's integrity standards.</p> <p>(II) Our company shall designate the office of the board of directors to conduct the revision, implementation, interpretation, consultation service and notification of the registration and filing of the procedures and guidelines, and report to the board of directors every year.</p>	<p>There are no significant differences.</p> <p>There are no significant differences.</p>

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	Summary	
(III) Whether the company has established policies to prevent conflicts of interest, provides appropriate statement of piping, and the implementation ?	Yes		(III)Our company shall prepare the interests of integrity specification and set up the appropriate pipeline mechanism.	There are no significant differences.
(IV) Does the company established an effective accounting system and internal control system in order to implement the operation in good faith, and the internal audit unit shall draw up the relevant audit plan based on the assessment results of the risk of dishonest behaviors, and check the compliance of the plan to prevent dishonest behaviors, or entrust the accountant to carry out the audit?	Yes		(IV) The company shall establish an effective accounting system and internal control system and shall not have any external accounts or secret accounts and shall review them at any time to ensure that the design and implementation of the system remain effective. Internal auditors shall periodically check the compliance situation of the foregoing system.	There are no significant differences.
(V) Does the company regularly hold in the good faith management of internal and external education training?	Yes		(V) The company regularly conducts internal integrity management, external education training.	There are no significant differences.
3. The operation of the company's prosecution system.				
(I) Does the firm set up a specific report and reward system, establish a convenient conduit, and appoint the appropriate person responsible for the prosecution?	Yes		(I) The company consider the integrity of the business to be incorporated into the employee’s performance review, to establish a clear and effective reward/grievance system, and to appoint the appropriate persons to handle the case against the prosecution.	There are no significant differences.
(II) Does the company have a standard operating procedure for accepting the investigation and a confidentiality	Yes		(II) The person responsible for the handling of the inspection, is also responsible for client's confidential information.	There are no significant differences.

Evaluation Item	Implementation Status			The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	Summary	
<p>mechanism for the follow-up measures to be taken after the investigation is completed?</p> <p>(III) Does the company take measures to protect the prosecutor against improper handling of the prosecution?</p>	Yes		(III) The company take measures to protect the prosecutor against improper handling of the prosecution.	There are no significant differences.
<p>4. Enhance the disclosure of information</p> <p>(I) Does the company disclose the content of its ethical practices and promote its effectiveness on its website and public information observatory?</p>	Yes		(I) The company's website has been completed and implemented in accordance with relevant laws of Taiwan.	There are no significant differences.
<p>5. If the company is based on the "code of conduct for the companies listed on the case of listed products", the company has established itself a good faith operation code, please explain the difference situation of its operation and the code: The company has established the "good faith operation code" for the company to establish the integrity corporate culture and perfect the operation of the company, so as to comply with it.</p>				
<p>6. Other important information contributes to an understanding of corporate social responsibility operation situation: (In case of the company's review and revision of the code of conduct for conduct business, etc.) The company has established the "good faith operation procedure and behaviors guide" of the company in order to establish good corporate culture and perfect operation of the company, so as to comply with it.</p>				

(VII) If the company has a set of corporate governance rules and relevant regulations, should reveal the query methods:

Regarding the management rules and related regulations of our company, investors can search from the following

A. [http://mops.twse.com.tw/mops/web/t100sb04\\_1](http://mops.twse.com.tw/mops/web/t100sb04_1)

B. <http://www.topbi.com.tw/>

(VIII) Other important information regarding the corporate governance: None.

## (IX) Internal Control Systems

### 1. Disclosures Required for the Implementation of the Internal Control System

淘帝國際控股有限公司  
內部控制制度聲明書

日期：2020年3月30日

本公司2019年度之內部控制制度，依據自行評估的結果，謹聲明如下：

- 一、本公司確知建立、實施和維護內部控制制度係本公司董事會及經理人之責任，本公司業已建立此一制度。其目的係在對營運之效果及效率(含獲利、績效及保障資產安全等)、報導具可靠性、及時性、透明性及符合相關規範暨相關法令規章之遵循等目標的達成，提供合理的確保。
- 二、內部控制制度有其先天限制，不論設計如何完善，有效之內部控制制度亦僅能對上述三項目標之達成提供合理的確保；而且，由於環境、情況之改變，內部控制制度之有效性可能隨之改變。惟本公司之內部控制制度設有自我監督之機制，缺失一經辨認，本公司即採取更正之行動。
- 三、本公司係依據「公開發行公司建立內部控制制度處理準則」(以下簡稱「處理準則」)規定之內部控制制度有效性之判斷項目，判斷內部控制制度之設計及執行是否有效。該「處理準則」所採用之內部控制制度判斷項目，係為依管理控制之過程，將內部控制制度劃分為五個組成要素：1. 控制環境，2. 風險評估，3. 控制作業，4. 資訊與溝通，及5. 監督作業。每個組成要素又包括若干項目。前述項目請參見「處理準則」之規定。
- 四、公司業已採用上述內部控制制度判斷項目，評估內部控制制度之設計及執行的有效性。
- 五、本公司基於前項評估結果，認為本公司於2019年12月31日之內部控制制度(含對子公司之監督與管理)，包括瞭解營運之效果及效率目標達成之程度、報導係屬可靠、及時、透明及符合相關規範暨相關法令規章之遵循有關的內部控制制度等之設計及執行係屬有效，其能合理確保上述目標之達成。
- 六、為上市公告及申報之需要，本公司依據「處理準則」及「臺灣證券交易所股份有限公司外國發行人第一上市後管理作業辦法」第四條第二項之規定，委託會計師專案審查上開期間與外部財務報導之可靠性及與保障資產安全(使資產不致在未經授權之情況下取得、使用或處分)有關的內部控制制度，如前項所述，其設計及執行係屬有效，並無影響財務資訊之記錄、處理、彙總及報告可靠性之重大缺失，亦無影響保障資產安全，使資產在未經授權之情況下運行取得、使用或處分之重大缺失。
- 七、本聲明書將成為本公司年報及公開說明書之主要內容，並對外公開。上述公開之內容如有虛偽、隱匿等不法情事，將涉及證券交易法第二十條、第三十二條、第一百七十一條及第一百七十四條等之法律責任。
- 八、本聲明書業經本公司2020年3月30日董事會通過，出席董事7人均同意本聲明書之內容，併此聲明。



董事長 周訓 簽章

總經理： 周志 簽章

2. The internal audit report by the entrusted accountant shall be disclosed: None.

(X) If there has been any legal penalty against the company and its internal personnel, or any disciplinary penalty by the company against its internal personnel for violation of the internal control system, during the most recent fiscal year or during the current fiscal year up to the publication date of the annual report, where the result of such penalty could have a material effect on shareholder interests or securities prices, the annual report shall disclose the penalty, the main shortcomings, and condition of improvement: None.

(XI) Important resolutions of the shareholders' meeting and the board of directors in the most recent year (2019) and as of the date of publication of the annual report:

1. Major resolutions of the shareholders' meeting or board of directors:

Shareholders' meeting or board of directors	Date	Major resolutions
Board meeting	March 25, 2019	<ol style="list-style-type: none"> <li>1. Passing the proposal of the loans and transactions through subsidiaries.</li> <li>2. Passing the proposal of borrowing from the subsidiary – Topbi (China) Fashion Co., Ltd.</li> <li>3. Passing the proposal of the company's 2018 annual employee and director remuneration distribution.</li> <li>4. Passing the annual consolidated financial statements of the company in 2018</li> <li>5. Passing the proposal of internal control statement of the company in 2018</li> <li>6. Passing the annual business report of the company in 2018.</li> <li>7. Passing the proposal of the amendment to the articles of association.</li> </ol>
Board meeting	April 30, 2019	<ol style="list-style-type: none"> <li>1. Passing the proposal of the company's annual distribution of profit in 2018.</li> <li>2. Passing the proposal for a new share issuance through capitalization of earnings in 2018.</li> <li>3. Passing the proposal of the company's new board performance evaluation measures and the standard operating procedures for</li> </ol>

		<p>handling the requirements of directors and to revise the procedures for acquiring or disposing of assets, the management measures for lending funds and others, and the provisions of the endorsement guarantee management measures.</p> <ol style="list-style-type: none"> <li>4. Passing the proposal of the independent director candidate list.</li> <li>5. Passing the proposal in the amendment of the company's 2018 regular meeting of shareholders.</li> <li>6. Passing the proposal of the company's 2019 annual public accounting fees and accounting independence.</li> </ol>
Shareholders' meeting	June 14, 2019	<ol style="list-style-type: none"> <li>1. Acknowledge the annual business report and financial statements of the company in 2018.</li> <li>2. Acknowledge earnings distribution of company in 2018.</li> <li>3. To discuss the proposed amendments to the articles of association.</li> <li>4. To discuss the proposed a new share issuance through capitalization of earnings in 2018.</li> <li>5. To discuss and amend the provisions of the company's "procedures for acquiring or disposing of assets".</li> <li>6. To discuss and amend the provisions of the company's "measures for the management of capital lending and other persons".</li> <li>7. To discuss the amendment of the company's "endorsement guarantee management measures".</li> <li>8. To elect the directors of the company.</li> <li>9. Lifting the non-competition restriction of the new director.</li> </ol>
Board meeting	June 24, 2019	<ol style="list-style-type: none"> <li>1. Passing the proposal of the transfer of trademarks between subsidiaries.</li> <li>2. Passing the proposal of the transfer of equity between subsidiaries.</li> <li>3. Passing the proposal of the cancellation of subsidiary - Fujian SDO Textile &amp; Industry Goods Corp., LTD.</li> <li>4. To appoint members of the remuneration committee.</li> <li>5. Passing the proposal of the company's credit application with SinoPac Bank, O-Bank, and KGI Bank.</li> <li>6. Passing the proposal of the borrowing from related parties through company and subsidiaries - Topbi Children Apparel Co., Limited and Topbi (China) Fashion Co., Ltd.</li> </ol>

Board meeting	August 6, 2019	<ol style="list-style-type: none"> <li>1. The list of employees transferred through the company's buyback of shares in 2018.</li> <li>2. Passing the proposal of the company's credit application with Yuanta commercial bank.</li> <li>3. Passing the proposal of the company's general director and independent director salaries.</li> <li>4. Passing the proposal of the company and its subsidiaries short-term investment plan in 2019.</li> </ol>
Board meeting	November 12, 2019	<ol style="list-style-type: none"> <li>1. Passing the proposal of the company's shareholders to adjust the interest rate and rights issue rate.</li> <li>2. Passing the proposal of the Topbi international holdings limited ex - dividend benchmark date.</li> <li>1. Passing the proposal of the company's bank credit application.</li> </ol>
Board meeting	December 30, 2019	<ol style="list-style-type: none"> <li>1. Passing the proposal of the annual audit plan of the company and its subsidiaries.</li> <li>2. Passing the proposal of the organization procedures of the remuneration committee and suggestions on the measures for the administration of remuneration.</li> <li>3. Passing the proposal to carry out the board performance evaluation in 2019 of the company.</li> </ol>
Board meeting	March 30, 2020	<ol style="list-style-type: none"> <li>1. Passing the annual consolidated financial statements of the company in 2019.</li> <li>2. Approved the proposal of the loans and transactions through subsidiaries.</li> <li>3. Approved the company borrows money from its subsidiary, Topbi (China) Fashion Corp., Ltd.</li> <li>4. Approved the proposal of the company's remuneration for employees and directors in 2019.</li> <li>5. Passing the annual internal control statement effectiveness assessment and internal control statement of the company in 2019.</li> <li>6. Passing the annual business report of the company in 2019.</li> <li>7. Passing the proposal of the investment plan of the company and its subsidiaries short-term in 2020.</li> <li>8. Passing the proposal of the board performance evaluation in 2019 of the company.</li> <li>9. Approved the proposal of the amendment to the articles of association of the company.</li> </ol>



		10. Passing the pre booking a regular meeting for shareholders on June 22, 2020.
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2. Resolution result: Adopted by resolution of shareholders' meeting; The board of directors has agreed to pass unanimously.

3. Results: Follow the resolution. Subsequent implementation of shareholders' meeting:

The implementation of important decisions of the shareholders' meeting (2019.6.14)	
1.	Passed the amendment to the company's articles of association: completed on July 4, 2019.
2.	Recognize the company's 2018 earnings distribution plan: Cash dividends and stock dividends have been distributed on December 25, 2019.
3.	The company has passed the annual profit and other capital increase for 2018: Completed on December 25, 2019.
4.	Passed the general election of directors of the company: New board of directors has convened, and the chairman had been elected.

(XII) Major Issues of Record or Written Statements Made by Any Director or Supervisor Dissenting to Important Resolutions Passed by the Board of Directors: None.

(XIII) Resignation or Dismissal of the Company's Key Individuals, Including the Chairman, CEO, and Heads of Accounting, Finance, Internal Audit, Corporate Governance and R&D:

Title	Name	Appointed date	Date of dismissal	Reasons for resignation or termination
Finance director of TOPBI (China) Fashion Corp., Ltd.	Ni Rui Ying	2015.12.01	2019.07.31	Position adjustment

#### 4) Information on Public Accountants

##### Audit Fees

Name of accounting firm	Name of the CPA		Inspection period	Remarks
Deloitte and Touche Taiwan	Chiang Min-Nan	Shih Ching-Pin	2019	-

Fee Range		Items	Audit fees	Non-audit fees	Total
1	Under NT\$ 2,000,000			✓	
2	NT\$2,000,001 ~ NT\$4,000,000				
3	NT\$4,000,001 ~ NT\$6,000,000				
4	NT\$6,000,001 ~ NT\$8,000,000				
5	NT\$8,000,001 ~ NT\$10,000,000		✓		✓
6	Over NT\$100,000,000				

(I) Firms pay accountants, certified public accountants, and the relationship enterprises. If the non-audit fee is more than a quarter of the audit fee, then the company should disclose the audit and non-audit amount as well as the service content: None.

(II) If the public audit fee for replacing accounting services is lower than that for the previous year, the amount and reason of the public audit fee before and after the shall be disclosed: None.

(III) The amount, proportion, and reasons for the reduction of the audit fees shall be disclosed if the audit fees are reduced by more than 15% compared with the previous year: None.

5) Replacement of CPA: None.

6) The chairman, general manager, finance, or accounting manager of the company who has served in the public accounting firm or its affiliated enterprises in the recent year: None.

7) In the most recent year and as of the date of publication of the annual report, changes in the transfer and pledge of shares of directors, supervisors, managers, and holders of shares of more than 10% of the company's shares:

(I) Changes in Shareholding of Directors, Supervisors, Managers and Major Shareholders

Unit: Share

Title	Name	2019		As of April 24, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Chairman	Zhou Xun Cai (note 1)	-	-	-	-
Director of Administration Department	Wu DongFeng	-	-	-	-
Director	Chen Hsiao Hung (note 4)	-	-	-	-
Independent Director	Chen DongSheng	-	-	-	-
Independent Director	Tsai Chia-Hung (note 4)	-	-	-	-
Independent Director	Huang Yi-Tsung (note 4)	-	-	-	-
Director	Lee Tsung-Ju (note 5)	-	-	-	-
Independent Director	Lin Horng-Chang (note 5)	-	-	-	-
Independent Director	Chang Chih-Peng (note 5)	-	-	-	-
Director and CEO	Zhou ZhiHong (note 6)	-	-	-	-

Title	Name	2019		As of April 24, 2020	
		Holding Increase (Decrease)	Pledged Holding Increase (Decrease)	Holding Increase (Decrease)	Pledged Holding Increase (Decrease)
Director and Finance Director of Topbi (China)	Ni RuiYing (Note 2)	-	-	-	-
Finance Director of Topbi (China)	Chen ZhangTao (note 3)				
Topbi (China) Director of R&D	Guan YouJin	-	-	-	-
Topbi (China) Sales Director	Lin, Yong	-	-	-	-
Topbi (China) Director of warehouse	Yang Wen	-	-	-	-
Topbi (China) Board Secretary	Zhuang, LingFeng	-	-	-	-
Audit Manager	Chen Chien Wei	-	-	-	-
Director and CFO	Wang Kuan-Hua	-	-	-	-
Major shareholder	Topwealth International Holdings Limited (Note 1)	(651,632)	4,380,000	(6,552,000)	(2,680,000)

Note 1: Zhou Xun Cai is holds shares through Topwealth International Holdings Limited.

Note 2: Ni RuiYing leaving as director on June 14, 2019 and resigned as finance director on July 31, 2019.

Note 3: Chen ZhangTao became new director of finance on July 31, 2019.

Note 4: Chen Hsiao Hung, Huang Yi-Tsung and Tsai Chia-Hung leaving as directors and independent directors on June 14, 2019.

Note 5: Lee Tsung-Ju, Lin Horng-Chang, Chang Chih-Peng became new directors and independent directors on 14 June 2019.

Note 6: Zhou ZhiHong became new directors on 14 June 2019.

(II) Equity transfer, equity pledge, relative person information: None.

8) Relationship among the Top Ten Shareholders.

April 24, 2020

Name	Shares held		Shares held by the spouse and minor children		Shares held in the name of others		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name (or Surname)	Relationship	
Topwealth International Holdings Limited	14,550,977	15.32	-	-	-	-	-	-	-
Representative : Zhou Xun Cai	-	-	-	-	-	-	-	-	-
美商摩根大通銀行台北分行受託保管斯威德銀行 Robur 全球新興市場基金投資專戶	2,203,686	2.32	-	-	-	-	-	-	-
匯豐託管 ENSIGN PEAK 顧問公司	1,736,798	1.83	-	-	-	-	-	-	-
匯豐銀行託管 SEB EmgMktfond	1,529,935	1.61	-	-	-	-	-	-	-

Name	Shares held		Shares held by the spouse and minor children		Shares held in the name of others		Name and Relationship Between the Company's Top Ten Shareholders, or Spouses or Relatives Within Two Degrees		Remarks
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name (or Surname)	Relationship	
臺灣銀行受託保管 J O H C M 國際小型企業股票基金投資專戶	1,252,850	1.32	-	-	-	-	-	-	-
匯豐託管摩根士丹利國際有限公司專戶	1,110,076	1.17	-	-	-	-	-	-	-
匯豐銀行託管 S E B 亞洲基金日本除外專戶	971,009	1.02	-	-	-	-	-	-	-
花旗託管 D F A 新興市場核心證券投資專戶	954,309	1.01	-	-	-	-	-	-	-
徐航健	891,684	0.94	-	-	-	-	-	-	-
匯豐託管 A r r o 全球國家阿爾法延長開曼	795,989	0.84	-	-	-	-	-	-	-

9) Ownership of Shares in Affiliated Enterprises.

Unit: shares; %

Affiliated Enterprises	Ownership by the Company		Direct or Indirect Ownership by Directors/Supervisors/Managers		Total Ownership	
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)
TOPBI Children Apparel Co., Limited	174,227,460	100	-	-	174,227,460	100
Fujian SDO Textile & Industry Goods Corp., Ltd	-	-	-	100	-	100
TOPBI (CHINA) Fashion Corp., Ltd	-	-	-	100	-	100

#### 4. Capital Overview

##### 1) Capital and Shares

##### (I) Sources of Capital

##### 1. Types of Stock

April 24, 2020; Unit: Shares

Type of shares	Authorized Capital (shares)			Remarks
	Issued Shares	Un-issued Shares	Total Shares	
Common stock	94,955,292	55,044,708	150,000,000	Shares of listed companies

##### 2. Equity Formation Process

April 24, 2020; Unit: NT \$/ Share, unless otherwise noted

Month of year	Offering price	Authorized capital		Capital paid-in		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Using property other than cash as equity	Others
October 2012	USD1	1	USD1	1	USD1	Fixed equity 1 share	None	-
December 2012	USD1	50,000	USD50,000	50,000	USD50,000	Restructuring of issuing shares	None	-
February, 2013	10	100,000,000	1,000,000,000	148,020	1,480,200	Conversion ratio: 29.604 conversion of nt \$10 per share	None	-
February, 2013	10	100,000,000	1,000,000,000	45,000,000	450,000,000	Capital reserves, transferred to increase capital 448,519,800	None	-
December 2013	118	100,000,000	1,000,000,000	52,800,000	528,000,000	Raise capital in cash and issue 7,800,000 new shares	None	2013.11.29 金管證發 字第 10200 1447 號



Month of year	Offering price	Authorized capital		Capital paid-in		Remarks		
		Number of shares	Amount	Number of shares	Amount	Source of capital	Using property other than cash as equity	Others
July 2014	10	100,000,000	1,000,000,000	58,080,000	580,800,000	Surplus to increase capital, issue new shares 5,280,000 shares	None	-
September 2016	10	100,000,000	1,000,000,000	58,660,000	586,600,000	Restricted employee rights, 580,000 shares	None	2016.7.19 金管證發 字第 105002755 5 號
December 2016	10	100,000,000	1,000,000,000	70,276,000	702,760,000	Surplus to increase capital, issue new shares 11,616,000	None	-
September 2017	10	150,000,000	1,500,000,000	71,682,000	716,820,000	Restricted employee rights: 1,406,000 shares	None	2017.7.17 金管證發 字第 106002637 5 號
December 2017	10	150,000,000	1,500,000,000	78,709,600	787,096,000	Surplus to increase capital, issue new shares 11,616,000	None	-
December 2018	10	150,000,000	1,500,000,000	82,645,080	826,450,800	Surplus to increase capital, issue new shares 3,935,480	None	-
December 2019	10	150,000,000	1,500,000,000	94,955,292	949,552,920	Surplus to increase capital, issue new shares 12,310,212	None	-

General declaration of relevant information: Not applicable.

## (II) Shareholder Structure

April 24, 2020; Unit: Person; Shares: %

Shareholder structure Quantity	Government agency	Financial institutions	Other legal persons	individual	Foreign institutions and foreigners	Total
Number of people	0	1	164	15,768	101	12,796
Number of shares held	281,144	5,319	972,861	52,705,172	41,271,940	94,955,292
Shareholding ratio	0.0	0.0	1.03	55.51	43.	100

## (III) Equity Diversification

April 24, 2020; Unit: Person; Shares: %

Shareholding Classification	Number of Shareholders	Number of Shareholding	Shareholding Ratio
1 ~ 999	7,769	570,610	0.60
1,000 ~ 5,000	6,011	12,784,745	13.46
5,001 ~ 10,000	1,106	8,044,994	8.47
10,001 ~ 15,000	411	5,057,954	5.33
15,001 ~ 20,000	222	3,948,390	4.16
20,001 ~ 30,000	212	5,226,458	5.50
30,001 ~ 50,000	78	2,691,808	2.84
50,001 ~ 100,000	60	2,697,903	2.84
100,001 ~ 200,000	93	6,488,659	6.83
200,001 ~ 400,000	50	7,001,167	7.37
400,001 ~ 600,000	27	7,821,999	8.24
600,001 ~ 800,000	9	4,413,598	4.65
800,001 ~ 1,000,000	4	3,005,683	3.17
1,000,001 or over	3	2,817,002	2.97
1 ~ 999	6	22,384,322	23.57
Total	16,061	94,955,292	100.00

Note: No special shares.

## (IV) List of Major Shareholders:

Name, amount, and proportion of shareholders listed in the top ten that have a shareholding ratio of more than 5%:

April 24, 2020; Unit: Person; Shares: %

Shares	Number of Shareholding	Shareholding Ratio
Name of main shareholders		
Topwealth International Holdings Limited	14,550,977	15.32
美商摩根大通銀行台北分行受託保管斯威德銀行 R o b u r 全球新興市場基金投資專戶	2,203,686	2.32
匯豐託管 E N S I G N P E A K 顧問公司	1,736,798	1.83
匯豐銀行託管 S E B E m g M k t f o n d	1,529,935	1.61
臺灣銀行受託保管 J O H C M 國際小型企業股票基金 投資專戶	1,252,850	1.32
匯豐託管 摩根士丹利國際有限公司專戶	1,110,076	1.17
匯豐銀行託管 S E B 亞洲基金日本除外專戶	971,009	1.02
花旗託管 D F A 新興市場核心證券投資專戶	954,309	1.01
徐航健	891,684	0.94
匯豐託管 A r r o 全球國家阿爾法延長開曼	795,989	0.84

## (V) Market value, net value per share, profit and related information of the last two years:

Unit: NT \$; Thousand

Items	Year	2018	2019	As of March 31, 2020 (Note 4)
	Market value	High	120.00	107.50
	Low	81.70	75.90	47.70

Items		Year	2018	2019	As of March 31, 2020 ( Note 4 )
	Average		103.80	91.81	72.09
Net value per share	Prior to allotment		60.13	68.60	67.28
	Post allocation		Note 5	Note 5	Note 5
Earnings per share	Weighted average number of shares		82,479	94,458	94,955
	Earnings per share	Before adjustment	11.56	12.01	(0.46)
		After adjustment	10.06	Note 5	Note 5
Dividend per share	Cash dividends		3.15	0.17022684 ( Note 5 )	-
	Free allotment	Surplus allotment	1.50	1.53109381 ( Note 5 )	-
		Capital reserve rights issue	-	-	-
	Accumulated unpaid dividends		-	-	-
Investment return analysis	PE ratio (Note 1)		8.98	7.64	-
	Principal and interest ratio (Note 2)		32.95	539.34	-
	Cash dividend yield (Note 3)		3.03%	0.19%	-

Note 1: PE = average closing price/earnings per share for the current year.

Note 2: Principal interest ratio = average closing price per share/cash dividend per share for the current year.

Note 3: Cash dividend yield = cash dividend per share/average closing price per share for the current year.

Note 4: Net value per share and earnings per share are the materials approved by accountants in the first quarter of 2019.

Note 5: The 2019 earnings distribution has not been decided by the shareholders' meeting.

## (VI) Dividend Policy and Implementation Status

### 1. Dividend policy:

As the Company continues to grow, the need for capital expenditure, business expansion and a sound financial planning for sustainable development, it is the Company's dividends policy that the dividends may be allocated to the Shareholders in the form of cash dividends and/or shares in lieu of the cash amount of any dividend according to the Company's future expenditure budgets and funding needs.

Subject to the Law, and unless otherwise provided in the Applicable Listing Rules, the net profits of the Company for each annual financial year shall be allocated in the following order and proposed by the Board of Directors to the Shareholders in the general meeting for approval:

- (a) to make provision of the applicable amount of income tax pursuant to applicable tax laws and regulations;
- (b) to set off cumulative losses of previous years (if any);
- (c) 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-up capital of the Company;
- (d) to set aside an amount as Special Reserve pursuant to the Applicable Listing Rules and requirements of the Commission; and
- (e) with respect to the earnings available for distribution (i.e. the net profit after the deduction of the items (a) to (d) above plus the previously cumulative undistributed Retained Earnings), the Board of Directors may present a proposal to distribute to the Shareholders by way of dividends at the annual general meeting for approval pursuant to the Applicable Listing Rules. Dividends may be distributed in the form of cash dividends and/or shares in lieu of the cash amount of any dividend, and the amount of dividends shall be at least twenty percent (20%) 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.

## 2. Proposed Distribution of Dividend:

The proposed earnings distribution plan of the shareholders' meeting is cash dividend 0.17022684 per share and stock dividend 1.53109381 per share, as determined by the board of directors of the

company on May 11, 2020. After the shareholders' meeting is approved, the chairman is authorized to pay interest and the board of directors shall set a benchmark date for the rights issue.

(VII) The impact of the proposed free rights issue on the company's operating performance and earnings per share at the shareholders' meeting:

Items	Year		
	2020		
Initial paid-in capital (\$)	949,552,920		
Shares allotment this year (Note 1)	Cash dividend per share (\$)	0.17022684	
	Surplus to increase capital, share allotment (Shares)	0.153109381	
	Capital reserves to increase capital, share allotment (Shares)	-	
Business performance, changing circumstances	Operating profit	Not applicable (Note 2)	
	Operating profit increased (decreased) over the same period last year		
	After-tax profit		
	Net profit after tax increased (decreased) over the same period last year		
	Earnings per share		
	Earnings per share increased(decreased) over the same period last year		
Average annual return on investment			
Planned earnings per share and PE ratio	If the surplus is transferred to capital increase, the total amount shall be allocated to cash dividends	Proposed earnings per share	Not applicable (Note 2)
		The average investment return rate of the proposed year	
		Planned earnings per share	Not applicable (Note 2)

Items		Year	2020
		If capital reserve is not handled to increase capital	The average investment return rate of the proposed year
If capital reserves are not handled and surplus is transferred to capital increase, cash dividends will be issued	Planned earnings per share	Not applicable (Note 2)	
	The average investment return rate of the proposed year		

Note 1: It has not been decided by the shareholders' meeting of 2020.

Note 2: In accordance with the "guidelines on public financial pretreatment for listed companies", the company does not need to disclose financial forecast information for 2020, so there is no forecast data.

#### (VIII) Compensation of Employees, Directors and Supervisors

1. The remuneration of employees, directors and supervisors as set out in the articles of association:

The Company shall set aside no more than 10% of its annual profits before tax as bonus to employees of the Company and set side no more than 2% of its annual profits before tax as bonus to Directors, provided however that the Company shall first offset its losses in previous years that have not been previously offset. The distribution of bonus to employees may be made by way of cash or Shares. To qualify for the distribution of bonus, employees must meet certain conditions as prescribed by the Company. The distribution of bonus to employees shall be approved by most of the Directors present at a meeting attended by two-thirds or more of the total number of the Directors and shall be reported to the Members at the general meeting.

2. The estimated amount of remuneration of employees, directors and supervisors in this period shall be calculated based on stock allocation. If there is any difference between the actual amount allocated and the estimated amount, the accounting method:

The employee's bonus and director's remuneration of the company shall be estimated at the most appropriate rate in accordance with the numbers set out in the articles of association of the company in accordance with each year. When there is a difference between the actual allocation and the estimated, the shareholder will adjust it in accordance with accountants and to list it as the annual profit or loss. In addition, the company has no supervisors.

3. Remuneration distribution by the board of directors:

(a) Payment of employees, directors and supervisors in cash or shares:

The remuneration of the company in 2019 shall be NT\$ 3,013,000 as agreed by the board of directors on March 30, 2020. The remuneration has not been distributed as it has not been passed by the board of shareholders, therefore there is no difference in our reporting. In addition, the company has no supervisors.

(b) The proportion of employees' remuneration distributed by shares as a percentage of the net profit after tax and the total remuneration of paid to employees: Not applicable.

4. The actual distribution of the remuneration of employees, directors and supervisors in the previous year (including the number of shares distributed, amount and share price), if there is any difference between the remuneration recognized by accountants, the differences, the reasons and the handling situations shall be stated: None.

(IX) Shares re-purchasing (completed):

Phase of repurchase	1st meeting in 2018
Date of Board resolution	November 09, 2018
Purpose of repurchase	Transferred to employees
Expected repurchase period	November 12, 2018 ~ January 11, 2019
Expected price interval of stock repurchase	NT\$64.50~NT\$143.00
Type and quantity of actually repurchased shares (share)	577,000 common shares
Amount of repurchased shares (including transaction fees)	NT\$48,058,832
Number of shares canceled and transferred	577,000 shares
Accumulated quantity of NTC shares held	0 shares



Accumulated quantity of NTC shares held to total outstanding shares (%)	0.70%
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- 2) Corporate bond status: None.
- 3) Special share status: None.
- 4) Global depository receipts status: None.
- 5) Employee stock options status: None.
- 6) Issuance of new restricted employee shares status: None.
- 7) Status of new shares issuance in connection with mergers and acquisitions: None.
- 8) Financing plans and implementation: Not applicable.

## 5. Operation Overview

### 1) Business Activities

#### (I) Business Scope

##### 1. The main content of the business

The company is mainly engaged in the own brand children's clothing design and sales.

##### 2. Revenue distribution

Unit: NT \$ (thousand)

Year Product name	2018		2019	
	Amount	Ratio %	Amount	Ratio %
Children's clothes	6,764,779	100	6,909,735	100

##### 3. Main products

Commodity items	Content
Children's clothes	Shorts, trousers, shirts, t-shirts, cotton-padded jacket, wind-coat, etc

##### 4. New products development

In 2020, the company will launch exclusive children's clothing brand - Mini Topbi. This brand of children's clothing is suitable for children aged 1-3 years old. It is mainly made of cotton and hemp, and it is exclusively sold online, catering to the shopping habits of young mothers born in the 1990s and even in the future. In order to ensure that the newly developed products meet the stringent national standards, the research and development center has increased the research on the fabric and wearing comfort of children's clothing products with a view to launching quality products that are higher than the market expectation.

In addition, in the face of the continuous and steady expansion of the China children's clothing market, the company has always placed product research and development at the core of competitiveness to enhance the status, adhere to the investment of funds, establish and improve the company's product innovation and research and development system, continuous improvement of the company's product research and development process, to maintain the vitality of innovation. In order to do a good job in the company's future new product development research and development center

actively studying various leading fabric materials both at home and abroad, and cooperate with marketing center in a market research, also many overseas developed parts of children's clothing market development situation, according to consumer demand for children's clothing product environmental protection, comfortable, health, research and development center to organic cotton products new fabrics, functional fabrics products and other products as the focus of children's development. Through the development of different functional focus of the product, to meet the needs of different consumer groups, for children of different ages to provide comfortable wear experience. In addition, the research and development center not only continuously explore in the product fabric aspect, but also unceasingly innovates in the children's clothing design aspect. Designers draw inspiration from the fast fashion development trend, and create the future Topbi children's wear design style with the simple European light fashion style, to increase the fashion degree of Topbi products in the design, shorten the product production cycle, reduce the cost of mass production, improve the agility of the design department for the product market response.

## (II) Industry Overview

China's children's wear market is in the growth period, the per capita children's wear consumption expenditure and overseas gap is large. From the perspective of the development stage, China's children's wear industry has the characteristics of rapid growth, intensified competition, the emergence of demand for segmentation, and consumers are driven by a variety of factors such as brand and quality. It is still in the growth stage.

### 1. Development background of children's clothing industry

- (a) The family planning policy was relaxed, and the number of consumers of the right age continued to grow.

With the implementation of the "two-child policy" in 2014 and the "universal two-child policy" in 2016, the birth rate has increased, and the number of new births has further rebounded. At present, there are more than 300 million children under the age of 16 in China, among which 171 million are under the age of 6 and 170 million are between the ages of 7 and 16, accounting for one quarter of the China's population. The only child accounts for 34 percent of the total number of children, and there are more than 10 million babies born every year. The annual consumption demand is about 1 billion pieces, and the large number of consumers of the right age has laid a foundation for the development of the children's wear market. It is obvious that the children's wear market contains a huge space for development, and the children's wear market will become one of the most growing markets.

- (b) China's living standards have been steadily improving, and the "child economy" has great potential

With the increase of China residents' disposable income and consumption power, the per capita

expenditure on children's clothing has increased significantly, and consumers tend to pay for products with better quality. The preference for the safety and comfort of children's clothing exceeds the sensitivity to price, so children's clothing of better quality will be selected, and the consumption of children's clothing has shown a relatively obvious upgrading trend. In the past five years, the income and consumption level of China residents have increased year by year, and the expenditure on raising children has also increased. In 2018, the annual average expenditure for a child was about RMB20,000 yuan. The "children's economy" has huge potential and broad space for development.

(c) Children's wear leading in the garment industry, the market is mature development

As an important component of the cost of raising children, the children's wear industry has been developing steadily. The retail sales growth rate is always higher than that of men's and women's wear, and the leading range is constantly expanding. It is an important growth engine of the industry.

(d) The scale of online children's wear market continues to expand, with the growth of consumer numbers as the main driving force

The online sales of children's clothing continued to grow, the number of buyers and the unit price were increased, the consumption frequency also became more frequent, and the consumption demand became stronger. Among them, especially with the purchase of the most prominent increase.

(e) Low-tier cities enjoy the demographic dividend, and coastal and central regions contribute the most to the growth of online children's wear consumption

Consumption in third tier and lower-tier cities grew faster than the average of categories, and category consumption continued to decline. Geographically, Guangdong province leads the country in the increase of the number of people, followed by east China and central China, and is the major contributor to the increase in the number of online children's wear consumers.

(f) The decision-making subject of children's clothing purchase has changed

The post-80 and post-90 generation entered the role of parents, and their personalities and social demands promoted the trendy development of categories. As the post-80 and post-90 generation becomes the main force of children's wear consumption in the future, their individual attitudes are also influencing the trend of children's wear. Parents of the younger generation of post-80 and post-90 have a stronger willingness to consume and a stronger sense of brand, so they have enough consumption power to choose children's clothes with higher prices. Forty-four percent of those born in the 1990s are willing to pay more for a good look, a higher percentage than consumers as a whole, because it not only cultivates their children's aesthetic sense, but also serves as an important social card for them.

## 2. Development trend of children's wear industry

### (a) Trend is significant, adult fashion is sinking

The sales volume of fashion children's wear brands grew rapidly, exceeding the average level of the category for two consecutive years. Among the fashion brands, the number of commodities of shirt, hoodies and T-shirt is significantly higher than that of children's clothing, which is a category in which popular logo is more involved. In recent years, adult brands have set up children's clothing lines one after another, and the number of online related commodities has accelerated. Adult brands' involvement in children's wear has also led to the decline of the adult trend in the children's market. Wide-leg pants, stripes and wave point elements are the hottest. The hot trend of street style also makes sexy navel, shoulder wear and gradient design more attractive to consumers. Social media accelerated the birth of the network hot style, online popular with the same style of children's clothing consumption in the past year has shown an explosive growth, especially in the post-90 and post-95 generation of parents favored. Parent-child clothes, accessories and climbing clothes are the most popular. To some extent, they benefit from the social attributes of the category itself and the consumption tendency of the new generation of parents. Fashion IP is also a common play in the children's wear market. The consumption scale of related commodities is increasing year by year. Hello Kitty is the best seller, and the consumption proportion of the marvel series has surpassed that of Mickey Mouse series. Compared with the adult market, IP concentration of children's wear is relatively high, but the proportion of head IP decreases year by year. More and more new IP enriches consumers' choice. Among them, bread superman and wang wang team jump up the speed of the most significant. In addition to relying on animation IP to attract attention, there are also more and more popular logo, crossover fashion products, artists co-branded in the children's wear market. Children's wear consumers have formed a certain preference for clothing style. Influenced by street culture and national trends, hip-hop and Chinese style are the children's wear styles with the largest online order, which are accelerating in second tier and lower cities.

### (b) Refuse to normal style, personality make something prominent

Nearly 80 percent of parents born in the 1990s are willing to try new brands when it comes to children's wear, which is higher than the proportion of parents born in the 1970s and 1980s. The number of brand products consumed per capita online by consumers is also increasing year by year, reflecting consumers' more diversified brand attempts. Reputation and public praise are the key factors for children's clothing brands to be favored. In addition, 47% of consumers pay attention to the life concept advocated by the brand, and 46% like the original and unique design style of minority, especially among parents born in the 1990s.

(c) Scenario consumption is refined, and new requirements are generated

Consumers have a more sophisticated demand for children's wear. Compared with other generations, parents born in the 1990s prefer to choose more appropriate clothes for specific occasions. In addition to the daily leisure and sports occasions, formal dress, stage performance also become the opportunity for consumers to buy children's wear. The sale peak of formal dress sales in January and May in each year, influenced by New Year's greetings and graduation season. In addition to the graduation season, the stage costume scene is also influenced by Halloween, Christmas, and other festivals. It peaks in May, October, and December each year. Online formal dress and children's wear consumption has been increasing year by year. In addition to the significant growth in the 3-12-year-old age group, the growth is more obvious in the 0-1-year-old newborn market. For the "hundred-day banquet" held by parents, from the perspective of consumers, the purchase of formal dress scene clothing is not only a reflection of the sense of ceremony, but also a way to cultivate children's awareness of co-dressing in different places. On the other hand, the "high appearance level" attribute of the dress is also one of the reasons for consumers to buy it. Sports children's wear market continues to be hot, online sales and the number of goods accelerated. The current market is still dominated by boys aged 3-12, but it is growing faster among children aged 0-3 and girls. The sports scene is more subdivided. In the outdoor category, the proportion of the consumption of professional items such as sunscreen clothing, emergency pants and ski clothing has increased the fastest, and the demand for professional sports is burgeoning. Under the influence of fashion trend, the concept of "light sport", which combines sports and casual fashion, continues to rise in sportswear, with a significant increase in the proportion compared with last year.

(d) With the upgrading of quality demand, the development trend of "companion consumption" has emerged

Over 90% children's wear consumers pay special attention to children's wear fabric, cotton fabric is the first choice, hemp and wool, cashmere texture is also popular, the refinement of the fabric requirements reflect the consumer's yearning for quality life, nearly half of the consumers said that will be advocated by the brand of life philosophy. The consumption willingness of parents born in the 1990s is significantly higher than that of other generations, and the primary reason is to enhance affection and reflect intimacy. At the same time, the content of parent-child relationship on social media has gained a lot of thumb up, which has aroused the public's yearning for warm family atmosphere and parent-child companionship, which is also an indirect factor to promote the development of parent-child clothing. The number of online parent-child children's clothing buyers is increasing rapidly year by year. T-shirts and hoodies are the main forms of parent-child clothing. On the other hand, home wear, and other forms

of parent-child wear growth is obvious, parent-child children's wear is extending to more categories of clothing.

### 3. Children's wear product classification

#### (a) Comfortable children's wear

With the improvement of living standard, people are not satisfied with wearing clothes. Today, when green consumption is advocated, people begin to pay attention to the comfortable performance of clothes specially for children's wear this is particularly urgent. The comfort of clothing refers to the performance of clothing to meet the requirements of human body and eliminate any uncomfortable factors after wearing. Due to the children physiological characteristics, children's bodies are not fully developed, lively and active, easy to sweat, sensitive skin, poor resistance, and their clothing should not only cover the body against the cold, but also protect the body from external harm. This kind of children's wear is mainly made of cotton.

#### (b) Casual children's wear

During weekend and winter or summer vacation brought enough good time to school-age children, also make recreational children's wear popular. Over the past two year, the children's outfit on the market is casual series had held fair share, major shopping malls have opened in special hall counters, casual children's outfit is sold unusually be optimistic about. Casual kids wear, pay attention to comfort and randomness, emphasized when the design style of loose, moderate size, color combinations. In the case of the girl's clothing, the manufacturer has discarded the most difficult, laborious embroidery, the beads, and the vast tracts of the lotus leaf, and the simplest design of nature, the simplicity of the design, and the feeling of innocence and clarity. As for boy's wear, it is simpler and more casual, with a floral T-shirt, a pair of lob pants or jeans, and a waistcoat that comes up to the waist. This kind of children's wear to the sports style of children's wear. Sports style children's wear is simple, comfortable, leisure and other features, especially suitable for children to wear, play an indispensable role in children's wear. For instance, the baseball team in children's outfit and cheer squad series, have vest, miniskirt, knickers and etc with the ribbon of all kinds adorn and send out fashionable vigor breath.

#### (c) Fashion children's clothes

Today's children's clothes are almost comparable to those of adults. Children's wear is developing towards the direction of fashion, showing more and more distinct features of The Times and fashion sense. A lot of children's clothes cooperate the characteristic with children innocent artless, add all sorts

of lovely and chic animal again each cartoon figure, some still deserve to go up small cap, small vanity, small braid wait for fittings, exudes a lively and playful childlike innocence. Children also have their own ideas when dressed up, and they also hope to win the appreciation and admiration of their classmates and partners through their favorite clothes.

(d) Ecological children's clothes

Ecological children's wear is also known as green children's wear. In advocate natural, protect the environment of contemporary social, ecological children's clothing will become the trend of children's clothing development in the 21st century. Ecological children's clothing mainly requires that the entire production and processing chain from raw materials to finished products is free from harmful pollution to children and animals and plants; Children's clothing shall not contain substances that are harmful to children, or such substances shall not exceed a certain limit; Children's clothing should not contain intermediates that may break down in the course of wearing and cause harm to children's health, or such substances should not exceed a certain limit. No pollution to the environment shall be caused by the disposal of children's clothing after use. Children's wear has been tested, certified, and marked accordingly.

4. Product competition

Area	Market positioning	Main competitive brands	Consumer groups	Brand image
East China	Middle end market	巴拉巴拉	Children aged 3-12, middle class and well-off families	Freedom, casual, fashion, health, sports, category complete, diverse and unrestrained style.
East China		安奈兒	Children between 2 to 12 years of age, with advanced education and high-income families	Environmental protection fabrics, simple and novel, adhere to elegant, delicate, comfortable design style.
North China		小豬班納	Children aged 0 to 15 years old, middle - and high-income families	Products advocate health, happiness, fashion.
South China		依戀	Children between the ages of 5 to 13, middle class families	The style of clothing is classical and academic, incorporated the aristocratic style of an adult costume into a child's clothing.
South China	Middle and high end	史努比	Middle and high-end children's wear brand	The brand image is taken from the cartoon character of beagle, and the cultural symbol is optimism and confidence.



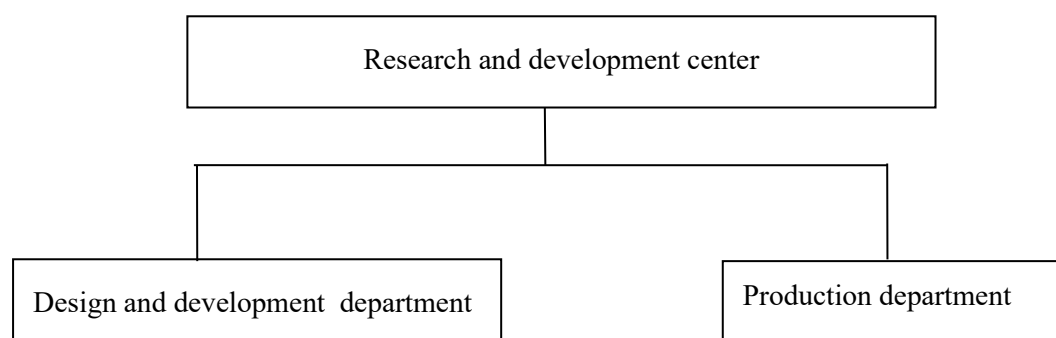
Area	Market positioning	Main competitive brands	Consumer groups	Brand image
East China (浙江)	market	巴布豆	Children aged 0 to 12 years old, middle- and high-income families	Brand characteristics as the colour profusion, advocates personality, healthy style. There are counters in major department stores in China.

Source: company websites

### (III) Technology and R&D (research and development) overview

#### 1. Technical level and research development of the business

The company mainly operating subject Topbi (China) research & development center, its according to its function, respectively set up the design research & development department and production department. Responsible for product design and development and control processes. The organizational structure of the R&D center is as follows:



#### 2. R & D designers and their academic experience

Unit; people; %

Project/year		2017	2018	2019	First quarter of 2020
Employee number	Initial Numbers	44	44	43	43
	New in	1	3	-	-
	Dismission	1	4	-	-
	Severance and retirement	-	-	-	-
	Final Numbers	44	43	43	43

Project/year		2017	2018	2019	First quarter of 2020
Dimission Rate (Note)		2.22	8.51	-	-
Average seniority (Year)		8.25	8.66	9.33	9.35
Education distribution	Dr's degree	-	-	-	-
	Master's degree	-	-	-	-
	Bachelor's degree	5	6	6	6
	Specialty (including the following)	39	37	37	37
	Total	44	43	43	43

### 3. Development costs of the recent year and the date of issue of the annual end of the annual report

Unit: NT\$ (thousand)

Project	Year	2019	First quarter of 2020
	Research and development costs		82,686

### 4. The successful development of technology or product

Year	Research and development content	Application field
2008	Children's clothing production based on single dyed fabrics	New children's wear production
2011	High color fastness and environmental protection high-grade cotton fabric wrinkle printing technology research	Children's clothing printing technology improvement
2013	Cool fabric research and development based on children's clothing design	New children's wear production

2015	Application of electrostatic spinning polyaniline composite nanofibers and their functional fabrics	New children's wear production
2016	Thermal discoloration series functional children's clothing product research and development project	New fabric technology for children's wear
2017	Cotton research of antibacterial finishing	New fabric technology for children's wear
2018	The application of color-changing fabric in children's clothing	New fabric technology for children's wear

## 5. Competitive strategy

Market positioning, children's wear style, market share, annual sales, number of stores (online and offline), etc. Launch a new sub-brand, enrich the children's wear product line. Since 2020, apart from the main business, the company has studied and laid out market segments, and launched Mini Topbi, an e-commerce brand specializing in online channels, through brand extension and product line enrichment. Mini Topbi will be aimed at children from 80cm to 120cm. By means of sales and production, Mini Topbi will fully meet the needs of online agents, with the shortest design cycle, the fastest turnover mode, and the highest quality requirements for online channels.

### (IV) Short-term and Long-term Development Plan

Our company plans to improve the brand image and expand the sales network base, actively increase the market share, and achieve better business performance feedback to shareholders, and will do a good job of good enterprises should take up the social responsibility, for China's children's clothing industry to set an industry model.

#### 1. Short term business development plan

##### (a) Promote the diversification of group brands

In 2020, the company cooperated with online agents to make full efforts in the field of e-commerce and achieved good performance in Tmall, Taobao, JD and other channels. Considering the continuous expansion of online revenue and the long-term development plan of the brand, in order to avoid the

defects in the process of online synchronous development, the product operation cycle can be improved more quickly to adapt to online and offline channels. The company will in good business, research and market segment layout, through the brand extension, rich product line, launch specialize in ecommerce goods brand - Mini Topbi online channels.

(b) Continue to reform the logistics system

In order to meet the requirements of online channels on logistics system and meet the challenges of logistics links on the development path, the company will move the logistics center warehouse to Suqian, Jiangsu province at the end of 2018, close to the location of the company's planned e-commerce industrial park construction project. At present, the company's online channels are developing rapidly, the omni-channel marketing network will accelerate the integration. Topbi's logistics warehouse in Jiangsu will be launched and form a strong logistics system support for the company's huge sales network. In 2019, the company will continue to promote the construction of warehousing and logistics system in east China, build Topbi e-commerce logistics industrial park, shorten the distribution time of logistics in the national market, and reduce costs.

(c) Launch a new eighth generation image, enhance brand fashion and reputation

In the middle of 2019, the company will launch the eighth generation of visual image, comprehensively enhance the online and offline visual effects of Topbi brand. In 2019, the number of agents' terminals was 1600. The development concept of agents' terminals will change from focusing on the number of stores in the period of market expansion to focusing on the quality of individual stores in the period of stable development. In addition, the company will continue to promote the development of online channels, cooperate with online agents to layout market segments, reshape online channels with more complete product lines, and achieve a larger scale growth of online channel revenue than in 2018.

2. Long term business development plan

(a) Operating strategy: All the staff of the company, in the spirit of "a core, five centers and a division of labor", work together to effectively combine the modern enterprise management concept with the practice of the child clothing industry to establish a perfect enterprise management system. In the future, the company will continue to define the development direction, establish the common vision

of the company and employees, and create common goals for the development of Topbi. Continue to promote the company's internal and external changes, adjust the organization structure and business processes, optimize product planning process and so on.

(b) Development strategy: Establish a certain scale of talent, a full core team, to maintain forward-looking technology, product, and standard product strategy research, and build a system of independent, controlled, fully developed products. With the rise of fast fashion style in the clothing market, the company will focus on promoting the reform of flexible supply chain, and launch the simple European light fashion style children's clothing to shorten the research and development to market cycle, to meet the needs of the market and consumer, combine the popular appearance and function, to create more cost-effective quality children's wear.

(c) Marketing strategy: The top priority for the future development of China's garment industry is to control the sales channel, so the children's clothing industry also same. Although insiders generally believe that physical stores are still an important part of children's clothing sales channels, and shopping center will become the mainstream, in the face of the whole clothing industry is usher in the omnichannel era, tracking, adaptation, learning, change and control of omnichannel marketing is the core direction of the company's future research and development. Through the integration of online and offline channels, the company will focus on mining and using massive data feedback from various channels to guide the business direction in the future and ensure that the company's business is always operating in the first place.

(d) Brand culture strategy: At present, the market competition in China's children's wear industry has shifted from the product competition at the material level to the cultural competition at the psychological level, which formally needs the emotional integration. The current children's wear enterprises are no longer simply selling children's wear products but selling brand culture. Market competition is not only product competition, but also psychological and cultural competition. The company needs to form a more effective competitive advantage in brand culture shaping.

(e) Production control strategy: The company will set up an efficient and large-scale business model, spare no effort to reduce costs, strictly control costs, administrative costs and costs of research and development, service, marketing, advertising, and other aspects. Under the premise of ensuring the quality of products and services, the price of our products should be more outstanding than that of our competitors to consolidate the market reputation and improve the market share.

(f) Differentiated competition strategy: Through marketing activities with a unique style, the

company will strive to be unique or differentiated in products or services, and set up some unique and highly recognized products or brand images in the scope of children's wear industry, so as to arouse consumers' interest and eliminate the comparability of prices, so as to generate competitiveness with different advantages.

## 2) Market and the general situation of production and sales

### (I) Opportunities and challenges faced by the company and countermeasures

At present, China's children's wear market has entered a period of rapid growth, but the size of children's wear enterprises generally small, single brand market share and competitiveness is limited. At the same time, consumer demand changes lead to increasingly complex competition, market competition pressure accelerated the depth of children's wear market segmentation, but also narrow the market space of a single brand. In this context, children's clothing industry is facing unprecedented opportunities and challenges. Our company must have innovative thinking to seize opportunities and meet challenges.

#### 1. Opportunities

(a) The upgrading of the consumption structure will continue to promote the growth of children's wear market

Driven by the consumption upgrading, the local children's wear industry has ushered in the rapid development of the road. On the one hand, with the continuous growth of the domestic economy, the residents' income level continues to improve, the consumption capacity is also enhanced, laying a foundation for the prosperity of the children's wear market. "Post-80s" and "post-90s" era of growth is the period of China's economic boom, the environment is superior, compared to the requirement of the quality of life" of parents are born in the 1960s and 1970s after has increased significantly, pay more attention to parenting concept of eugenic and superior nurture, has become the decisive power of household consumption. At the same time, most parents are born in the 1980s and 1990s after are only child, family structure after the children are often the "6 + 1" or "6 + 2", two generations of the accumulation of wealth to the child's consumer spending provides a solid backing. Therefore, the children's consumer market has huge growth potential. As an important part of the children's consumer market, the children's clothing industry has a strong growth engine.

(b) Factors of urbanization development benefits for children's clothing market

With the development of China's economy and the steady improvement of regional economic growth rate, the broad masses of residents have benefited from the increase of social and economic growth. Due to the residents at the mercy of the cash income rises ceaselessly, consumer demand concept from the original frugal to moderate consumption, thus promoting the improvement of the consumer demand and purchasing power level. Especially in the next few years, China's new families will continue to increase. With the improvement of their family income and quality of life, the beautification of the children's clothing has been a major part of the family's life, and the increased consumption structure, and the increased consumption will provide a space for the child's market. According to relevant statistics, 90 million of the 110 million affluent labor force in rural China are living in urban areas. When this potential consumption demand is translated into actual consumption demand, it will help expand the demand for children's wear in this market.

(c) With the implementation of the new national standard for children's wear, children's wear manufacturers face a shuffle, further survival of the fittest

For most parents, compared with the price and style, the most concern is the safety of the children's clothes. According to the Technical Specification for Textile Safety for Infants and Children (hereinafter referred to as the Specification), the "new National standard" for children's wear was officially implemented on June 1, 2016. After a two-year transition period, that is, from June 1, 2018, all relevant products on the market must meet the requirements of the Specification, bringing about a shake-up of the industry. "Specification" on the basis of the original textile safety standards, to further improve the safety requirements for infants and children in all kinds of textile products and children's clothing products are classified, and is suitable for 36 months and the following infant wear and textile products, and is suitable for children under 3 years of age or older, 14 years old, and children wear textile products.

"Specification", based on the standard of textile safety standards, has increased the safety requirements for children and children's textile products, and cataloguing children's clothing products, and it has been applied to children's textile products that have been worn by infants and children for 36 months, and children's textile products that are applied to children ages 3 years and above, 14 years and below. According to the specification requirements, children's wear safety technology category is divided into A, B, C three categories, A best, B class times, C is the basic requirement. Among them, the infant textile products should comply with the requirement of class A, direct contact with the skin of children textile products should accord with the standard class B, at least not direct contact with the skin of children textile products should comply with the C standard at least. For such enterprises with strong financial strength, it is undoubtedly to seize this policy good, which is beneficial to us to further

expand production planning and seize market share.

(d) Industrial upgrading brings about sound development of the whole industry

China's children's wear is facing a new round of industrial upgrading, which is reflected in production capacity, industrial agglomeration change, enterprise development, product and brand change and industrial chain improvement. Children's clothing products from external design to internal quality will take a qualitative leap. Especially after the integration with the international market, the environmental protection problems of children's wear and special quality requirements such as sweat resistance, saliva fastness and other special quality requirements are bound to restrict the sales of children's wear in China, promote the quality upgrade of children's wear products, and even promote children's wear products to solve the quality upgrade problem. In the next 10 years, children's wear will have the most powerful economic consumers in the history of the world, and with a huge newborn baby base, the children's wear industry will continue to follow a benign development track to move forward. The pursuit of children's fashion trend is no longer a luxury, the rapid development of children's clothing market has become a pillar of the clothing market, seize the market opportunity, grasp the market dynamics can have a broader space for development.

## 2. Challenges

(a) Lack of high-quality team, especially children's wear designers

Enterprise product development is more of a reference and combination. Large enterprises learn from and combine the children's wear design of Europe, America, Korea, Japan, Hong Kong, and 新 Taiwan, while small and medium-sized enterprises mostly focus on the new products of large enterprises, waiting for the reference and combination. At the same time, marketing elite, skilled technical personnel are also quite scarce.

(b) Insufficient awareness of innovation

Designers who have been engaged in design for many years are often prone to "empiricism" and often faced with "breakthrough". Innovation includes innovation of business model, innovation of management and innovation of clothing style.

(c) Weak awareness of cultural construction

A very important reason for modern clothing products to win the market is to make consumers accept their cultural concepts. And whether it's the regional culture of the children's clothing industry in China, or the cultural construction of a single enterprise, it's obviously not enough, and it's not as good



as the Women's wear, which is why the China's child culture is built.

(d) The risk of sales centralized agent

The company by agents to sell products, performance and growth is completely dependent on the business ability of agents, agents of the company generally in their sales region for the exclusive agent, and the company has no control over the right of agents. If the cooperation relationship between the agent and us are changes, or the agent violates the agreement in actual operation, it will seriously affect the company's business plan and brand goodwill.

(e) Costs of clothing manufacturing are rising

The annual increase in labor and raw material costs has become an established fact, which makes the manufacturing costs of clothing products continue to rise, and the operating pressure further increases.

(f) Novel Coronavirus presents downside risks to the global pandemic

At present, novel Coronavirus is experiencing a global pandemic and gaining momentum. The downward pressure on the economy caused by the impact of the epidemic is an indisputable fact. No country, no company, no individual is immune. Children's wear industry and enterprises are no exception. In particular, offline entity business has suffered a major blow.

### 3. Countermeasures

(a) Strengthen cooperation and research and development

Through technical cooperation, the company carries out scientific research projects with science and technology colleges and universities, and makes continuous efforts in product design, technology development and innovation projects, so as to establish more professional R & D and design technical capabilities. Specifically, the company set up a specialized design research and development department, which focuses on cultivating the ability of independent research and development of products, and carries out the investigation and tracking of fashion trends in internationally representative places such as Paris, Tokyo and Seoul. By collecting and analyzing the sales information of the product market, we can adjust the product specifications and clothing style design, thoroughly understand the direction of product design and development, and get close to the differentiated market demands of consumers. On the other hand, it cooperates with scientific research institutions to accurately grasp the latest market trends and apparel fabrics and accessories technology.

(b) Pursue innovation and individuality to improve competitiveness

Different from the core competitiveness of the traditional children's wear industry, the traditional children's wear brands focus on low cost and low price and take production capacity and scale efficiency as the main competitiveness. The new generation of children's wear brands pay more attention to the fashion, individuality, and sense of value of products, with design innovation and brand concept as the main competitiveness. The collision of the two is becoming more and more prominent with the surge of the new generation of consumers. In the future, the company will pay more attention to the guidance and application of innovative management in the business process and strive to break through the limitations of the traditional children's wear industry and seek for greater development space.

(c) Strengthen the construction of brand culture

The company has established a unique brand culture and connotation since its establishment. The brand products take the ocean as the theme, endow products with the concept of spirituality and life, create individual fashion, integrate the international trend and China culture, advocate the harmony between nature and human, and endow products with more concepts of spirituality and life.

(d) Explore a variety of distribution modes to reduce the risk of agents

A. New direct sales channels are added to steadily cooperate with agents to develop the China children's wear market

In the context of the rapid growth of the overall children's wear industry, it is conservative to rely entirely on agents to develop the market. Under the premise of sufficient capital and sufficient preparation, it is undoubtedly faster and more direct to develop emerging markets directly by the company. Therefore, the company plans to cooperate with agents to jointly develop the market through direct sales and set up brand life experience stores in blank areas or key image areas of agents by direct sales. Compared with the general store, the brand life experience store not only has the sales function of the store, but also sets up the children's game area in the store, provides entertainment space and snacks for children, provides parents with free Internet and other life experiences, attracting consumers to stay in the store for a long time, so as to log in the website to learn about and download the APP. In this mode, the store will no longer be limited to static offline experience, no longer a simple shopping place, but at the same time shopping can be relaxing. Browse the product introduction on the APP, or

place an order directly on the mobile phone and have it delivered to your home, which will undoubtedly increase the sales of products online and offline.

#### B. Cooperate with agents to strengthen Topbi brand terminal image through direct marketing

As a brand children's wear enterprise, Topbi attaches great importance to the management and promotion of product brands. Compared with the traditional media advertising promotion, the terminal stores can more directly convey the overall value of the brand to consumers. The large brand experience hall built by the company can provide consumers with the latest Topbi products, the most complete brand image, and the overall strength of Topbi. The brand new image will help to fully present the product design concept and cabinet lighting of TOPBI brand, further combine with the online sales layout, fully cater to the upgrade of China children's wear consumption channels, increase consumers' attachment to TOPBI brand, and become a leading enterprise in China's children's wear industry.

#### C. Build an excellent marketing team to effectively explore a larger domestic market

At present, China's children's wear industry is in the rapid growth stage, the company is also in the rapid expansion period, many markets have not been developed. It is better to take the initiative to wait for the undeveloped market to understand the brand and then look for appropriate agents, rely on the company's strong market expansion ability, directly lay the brand life experience hall to the undeveloped area, expand the company's sales network coverage. Relying on the excellent market management team, the sales department of the company can also obtain the first-hand information of market sales. Through this information, the marketing department and r&d center can understand the most intuitive feedback of consumers on the company's products. At the same time, it can also quickly, comprehensively and accurately understand the changing direction of consumer demand, so as to fully tap consumer demand, frame target customer groups, realize more accurate customer marketing, and provide reliable information basis for the company to make more comprehensive domestic market development strategy.

#### D. Develop various sales models and improve profitability

Facing the rising cost pressure, the company is required to improve the terminal's quick response ability and profitability. The terminal marketing mode presents a three-dimensional crossover trend, including department store, commercial street store, supermarket store, multi-brand collection store, and the continuous emergence of "one-stop" children's goods shopping life pavilion and experience pavilion. At the same time, e-commerce has become the main means of sales.

#### E. Make full use of the internet economy to reduce the impact of the epidemic

It is particularly important to strengthen the use of the Internet. All kinds of online live streaming and online sales have become popular. We also actively participate in this emerging sales model and strive to improve the shipment and sales volume and reduce the impact of the epidemic.

(II) The main products of the important purpose and production process

1. The main purpose of the product

Our main products are children's wear, which is a necessity for people's livelihood.

2. The manufacturing process of major products

The company outsources children's wear production.

(III) Supply status of main raw materials: The company is outsourcing processing and manufacturing, so there is no such situation.

(IV) Customers who have accounted for more than 10% of the total amount of goods received (sold) in any of the last two years and the reasons for the increase or decrease:

1. Major supplier information for the last two years

Major supplier who total sales volume not more than 10% in the last two years and the first quarter of 2020.

2. Major sales customer information for the last two years

Customers total sales volume less than 10% in the last two years and the first quarter of 2020.

(V) Production value for the last two years: not applicable.

(VI) Sales figures for the last two years

Unit: NT \$1000/ Thousand pieces

Sales Value Main Item	Year	2018				2019			
		Internal sales		Export sales (note)		Internal sales		Export sales (note)	
		Number	Value	Number	Value	Number	Value	Number	Value
Children's clothing		21,172	6,764,779	-	-	22,480	6,909,735	-	-

Note: refers to the export sales to outside China area.

3) Number of employees in recent year

Unit: people

Year		2018	2019	March 31, 2020
Employee number	Manager	25	24	24
	General staff	146	146	147
	Production line employees	-	-	-
	Total	170	170	171
Average age		35.54	34.51	34.66
Average service years		5.31	7.14	7.38
Education distribution	Dr.	-	-	-
	Master	1	2	2
	Bachelor	28	28	29
	Junior college (including the following)	142	140	140
	Total	171	170	171

#### 4) Environmental Protection Expenditure

(I) Last year (2019) and the date of publication of the annual report, losses (including compensation) due to pollution of the environment, the total amount of disposal, it also discloses its future countermeasures (including improvement measures) and possible expenditure (including the estimated amount of loss, punishment and compensation that may occur if no countermeasures are taken). If unable to reasonably estimate, should specify the fact of the not reasonable estimates): Not applicable.

#### 5) Labor Relations

(I) State the company's various employee welfare measures, training, training, retirement system and its implementation, as well as the agreements between labor and capital, the protection of employee rights and interests:

##### 1. Employee benefits measures

Talent are the most important asset of the company. We carefully cultivate, cherish and care for every colleague, so that everyone can achieve balanced development in work, life and leisure. The company hopes all colleagues can understand the company's daily behavior profile as soon as possible, work and live more happily according to the standard requirements and improve the quality of each of our members. All staff of the company, regardless of age, duty and gender, have the duty and responsibility to maintain the dignity of all colleagues and ensure full implementation. Employees' rights are as follows:

- A. Equal employment.
- B. Pay by labor.
- C. Have the right to rest and vacation according to company regulations.
- D. Right of Labor safety, health and protection.
- E. The right to participate in learning and training.
- F. The person in charge shall have the right to appeal in a reasonable manner over the unreasonable handling of the matter.
- G. Allocate social insurance and housing fund for staff.
- H. Celebrate and deliver birthday gifts regularly.
- I. Major festive party activities.
- J. Provide staffs accommodation.

## 2. Employee refresher and training

Talent is the company's most important core competitiveness, and continuing education training can stimulate the staff personal potential staff, make human get effective use of knowledge, and improve the company's overall business performance, to achieve the company's operating objectives. Implementation of staff training policy measures are as follows:

A. Training for new employees: After new employees come to our company, they have their own guidance, which not only enables them to familiarize themselves with the working environment, but also enhances their recognition and understanding of the company. And all departments are planning a new basic training courses, to help the newcomer learning related knowledge on the job. It includes company introduction, organization structure, employee handbook, environmental protection knowledge, quality and environmental policy, company rules and regulations, production safety and hygiene knowledge training.

B. On-the-job training: At the end of each year, the company formulates the open course plan for the next year. plan the internal training operations for the courses in the company or departments. The internal training courses can be taught by the internal instructors, such as the use of the descent machine, the correct use of the needle cart, and the electrical safety of the molding workshop, etc.

C. Management training: The company arranges all kinds of management talent training according to its characteristics for all levels of executives and establishes the common vision and business consensus of the team. Management courses include social responsibility policies, goals and SA8000 management guidelines, management programs and hazard-identification and control, to develop a personal leadership style, and to establish management and maintenance of staff.

## 3. Implementation of Retirement system

The company operating the main body, the main system according to the operation to the "enterprise worker is basic endowment insurance regulations", the contributions to the pension by the month to the financial department of local government revenue.

## 2. Agreement between labor and capital

The company always attaches great importance to the employees' rights and interests of harmonious labor relations, the company attaches great importance to the employees' opinions, or the appropriate staff can directly to the HR department executives communication in order

to maintain good relations, therefore, no major labor disputes affair happen so far.

### 3. All staff rights and interest's maintenance measures

The company has an internal control system and various management measures, which stipulate the rights and obligations of employees and welfare items, and regularly review the welfare contents to protect the rights and interests of employees.

(II) The most recent fiscal year (2019) and by the print date of annual report, company losses incurred from the labor disputes, expose the present and the future possible estimated amount and response measures: None.

### 6) Important Contracts

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
Lease contract	福州東南繞城高速公路有限公司	2014.10.1~ 2020.09.30	On the fifth floor of TOPBI building, the rental area is 1,346 square meters	-
Lease contract	福州印象三哥服飾有限公司	2016.07.22~ 2019.07.21	The rental area of the fourth floor of TOPBI building is 3,304.99 square meters	-
Lease contract	福州茂盛投資有限公司	2019.01.01~ 2019.12.31	Research and development center rental cover an area of 950 square meters	-
Lease contract	福州市凡點服飾有限公司	2019.01.15~ 2020.01.14	On the sixth floor of TOPBI building, the rental area is 1,748.10 square meters	-
Lease contract	福建財茂集團有限公司	2019.03.01~ 2020.02.29	The 8th floor and part of the negative ground floor area of TOPBI building have a rental area of 5126.6 square meters	-
Lease contract	福州鑫圖光電有限公司	2019.8.01~ 2020.07.31	On the sixth floor of TOPBI building, the rental area is 1,546.70 square meters	-
Lease contract	江蘇財茂科工貿城股份有限公司	2019.10.01~ 2020.09.30	The third floor is 2972.95 square meters, Suqian city,	-



Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
			Jiangsu Toprich industry and trade city 31#A	
Insurance contracts	中國大地財產保險股份有限公司	2019.07.05~2020.07.04	Building insurance	-
Insurance contracts	中國大地財產保險股份有限公司	2019.07.05~2020.07.04	Inventory insurance	-
Advertising contracts	杭州商聚電子商務有限公司	2019.08.01~2020.01.31	EVI brand visual design and promotion services	-
Advertising contracts	福州天歌文化傳媒有限公司	2019.01.01~2019.12.31	Taxi headlights, seats, Windows advertising	-
Advertising contracts	北京華鐵傳媒集團有限公司	2019.01.01~2019.02.28	Advertising for high-speed trains and trains	-
Advertising contracts	北京華鐵傳媒集團有限公司	2019.04.01~2019.11.30	Advertising for high-speed trains and trains	-
Advertising contracts	北京華鐵傳媒集團有限公司	2019.12.01~2020.04.30	Advertising for high-speed trains and trains	-
Advertising contracts	上海創創文化傳播股份有限公司	2019.09.01~2021.08.30	Brand marketing	-
Advertising contracts	福州盛世海廣傳媒有限公司	2018.11.01~2019.04.30	Radio advertising	-
Advertising contracts	福州盛世海廣傳媒有限公司	2019.08.01~2020.01.31	Radio advertising	-
Agency contract	鄭州閩杭派商貿有限公司	2019.01.01~2019.12.31	Distribution agent TOPBI brand children's wear	鄭州、開封、南丘、新鄉、焦作、洛陽
Agency contract	成都盛源達服飾有限公司	2019.01.01~2019.12.31	Distribution agent TOPBI brand children's wear	四川（南充、自貢、宜賓地區以外）
Agency contract	A公司	2019.01.01~2019.12.31	Distribution agent TOPBI brand children's wear	長沙、湘潭、岳陽、常德、株洲市、張家界、益陽
Agency contract	E公司	2019.02.01~2020.01.31	Distribution agent TOPBI brand children's wear	蘇州、常州、無錫、鎮江、南京

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
Agency contract	泉州凌青服装有限公司	2019.02.01~2020.01.31	Distribution agent TOPBI brand children's wear	厦门、泉州、漳州、龙岩
Agency contract	D公司	2019.02.01~2020.01.31	Distribution agent TOPBI brand children's wear	天津
Agency contract	G公司	2019.03.01~2020.02.28	Distribution agent TOPBI brand children's wear	武漢、隨州、孝感、黃岡、黃石、咸寧、荊門、荊州
Agency contract	F公司	2019.03.01~2020.02.28	Distribution agent TOPBI brand children's wear	南昌、九江、宜春、新余、景德鎮
Agency contract	成都米加琪服飾有限公司	2019.03.01~2020.02.28	Distribution agent TOPBI brand children's wear	南充、自貢、宜賓
Agency contract	上海帝傑貿易有限公司	2019.03.01~2020.02.28	Distribution agent TOPBI brand children's wear	上海
Agency contract	蘭州鑫瑞豐商貿有限責任公司	2019.03.01~2020.02.28	Distribution agent TOPBI brand children's wear	蘭州及蘭州周邊城市、陝西延安
Agency contract	H公司	2019.04.01~2020.03.31	Distribution agent TOPBI brand children's wear	蚌埠、阜陽、宿州、淮北、亳州
Agency contract	江蘇慧巧商貿有限公司	2019.06.01~2020.05.31	Distribution agent TOPBI brand children's wear	徐州市、宿遷、連雲港、鹽城、淮安、揚州、泰州
Agency contract	南寧寶諾商貿有限公司	2019.07.01~2020.06.30	Distribution agent TOPBI brand children's wear	南寧市
Agency contract	福州鼎茂泰服飾貿易有限公司	2019.07.01~2020.06.30	Distribution agent TOPBI brand children's wear	福州、莆田、三明、南平、寧德
Agency contract	重慶龍鴻升商貿有限責任公司	2019.07.01~2020.06.30	Distribution agent TOPBI brand children's wear	重慶
Agency contract	金華嘉譽貿易有限公司	2019.07.01~2020.06.30	Distribution agent TOPBI brand children's wear	金華、臺州、麗水、衢州
Agency contract	西安伯青度商貿有限公司	2019.08.01~2020.07.31	Distribution agent TOPBI brand children's wear	西安

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
Agency contract	懷化欣泰商貿有限公司	2019.09.01~2020.08.31	Distribution agent TOPBI brand children's wear	懷化、婁底、邵陽、湘西土家族自治州
Agency contract	杭州智麗貿易有限公司	2019.09.01~2020.08.31	Distribution agent TOPBI brand children's wear	紹興、寧波、杭州、湖州、嘉興、溫州
Agency contract	大連蕾娜商貿有限公司	2019.09.01~2020.08.31	Distribution agent TOPBI brand children's wear	遼寧
Agency contract	濟南輝祥服飾有限公司	2019.09.01~2020.08.31	Distribution agent TOPBI brand children's wear	青島、威海、煙臺、濰坊、日照
Agency contract	吉林省娃享商貿有限公司	2019.10.01~2020.09.30	Distribution agent TOPBI brand children's wear	吉林省、長春市
Agency contract	太原仕青服裝有限公司	2019.10.01~2020.09.30	Distribution agent TOPBI brand children's wear	山西
Agency contract	杭州商聚品創品牌管理有限公司	2019.12.01~2020.11.30	Distribution agent TOPBI brand children's wear	網路平臺
Cooperation framework agreement	福州閩晟服裝有限公司	2016.08.26~2019.08.25	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州嘉裕晟服飾有限公司	2016.09.05~2019.09.05	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福建錦利針織有限公司	2016.09.23~2019.09.22	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	蘇州莊爵服飾有限公司	2016.09.28~2019.09.27	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	廣州市唯超服裝有限公司	2017.05.10~2020.05.10	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	中山市卓越毛衫制衣有限公司	2017.05.11~2020.05.11	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州閩錦服飾有限公司	2017.08.21~2020.08.20	Clothing OEM production	90 days after invoice date

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
Cooperation framework agreement	福州他她兔服飾有限公司	2017.08.28~2020.08.27	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福清市錦騰服裝有限公司	2017.09.04~2020.09.03	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	南平市錦昌服裝有限公司	2017.09.05~2020.09.04	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	廣州優縫服裝有限公司	2017.10.16~2020.10.15	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	泉州市銳鑫服裝織造有限公司	2018.04.09~2021.04.08	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州億榕達服裝有限公司	2018.04.12~2021.04.11	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	泉州煌騰紡織有限公司	2018.04.20~2021.04.19	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州鑫錦裳服裝有限公司	2018.05.03~2021.05.02	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州泉田制衣有限公司	2018.05.08~2021.05.07	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州常錦服飾有限公司	2018.07.30~2021.07.29	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福建瑞得服裝有限公司	2018.09.03~2021.09.02	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	南安市凱迪針織服飾有限公司	2018.09.10~2021.09.09	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州市康斯特恩商貿有限公司	2018.09.11~2021.09.10	Clothing OEM production	90 days after invoice date

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
Cooperation framework agreement	常熟市爱貝爾服飾有限公司	2018.09.21~ 2021.09.20	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	東莞市兆佳針織實業有限公司	2019.05.06~ 2022.05.05	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	泉州伊衫服飾有限公司	2019.05.06~ 2022.05.05	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福清市健坤服飾有限公司	2019-05-06~ 2022.05.05	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州市坤杰服飾科技有限公司	2019-05-07~ 2022.05.06	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	苏州市斯恩晟服飾有限公司	2019-05-08~ 2022.05.07	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州凯诗丽服飾有限公司	2019-06-28~ 2022.06.27	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福清市瑞强制衣有限公司	2019-08-27~ 2022.08.26	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	南平市丰祥服装有限公司	2019-08-30~ 2022.08.29	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	江苏金路时装有限公司	2019-09-01~ 2022.08.31	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州永得利服装有限公司	2019.09.04~ 2022.09.03	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福建闽都服飾有限公司	2019-09-10~ 2022.09.09	Clothing OEM production	90 days after invoice date

## **6. Financial Information**

- 1) Financial summary of the last five years
- (I) Consolidated Condensed Balance Sheet and Condensed Statement of Comprehensive Income
1. Consolidated Condensed Balance Sheet

Unit: NT \$ (Thousands)

		Financial information for the last five years					Financial information for the current year ending March 31, 2020 (Note 1)
		2015(Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	
Current assets		4,908,602	5,552,261	6,703,409	7,909,543	7,578,881	6,631,945
Property, plant and equipment		420,428	365,340	342,641	312,532	279,093	270,666
Other assets		259,133	246,025	259,813	276,749	220,662	242,493
Total assets		5,588,163	6,163,626	7,305,863	8,498,824	8,078,636	7,145,104
Current liabilities	Before distribution	1,719,233	2,106,476	2,491,925	3,225,836	2,068,105	1,255,382
	After distribution (Note 2)	2,154,833	2,403,743	2,872,092	3,484,350	2,084,269	1,271,546
Non-current liabilities		342,908	315,261	309,583	303,710	341,290	329,732
Total liabilities	Before distribution	2,062,141	2,421,737	2,801,508	3,529,546	2,409,395	1,585,114
	After distribution (Note 2)	2,497,741	2,719,004	3,181,675	3,788,060	2,425,559	1,601,278
Equity vested in the parent company		3,526,022	3,741,889	4,504,355	4,969,278	5,669,241	5,559,990
Equity capital		580,800	702,760	787,096	826,451	949,553	949,553
Capital reserves		1,318,627	1,398,377	1,517,887	1,517,887	1,520,022	1,520,022
Retained earnings	Before distribution	1,533,243	1,832,893	2,448,542	2,982,646	3,735,849	3,691,881
	After distribution (Note 2)	1,097,643	2,130,160	2,029,020	2,601,029	3,574,300	3,530,332
Other equity interest		93,352	-192,141	-249,170	-322,541	-536,183	-601,466
Treasury stock		-	-	-	-35,165	-	-
Non-controlling interest		-	-	-	-	-	-
Total equity	Before distribution	3,526,022	3,741,889	4,504,355	4,969,278	5,669,241	5,559,990
	After distribution (Note 2)	3,090,422	4,039,156	4,124,188	4,710,764	5,653,077	5,543,826

Note 1: Consolidated financial data for the last five years and the first quarter of 2020 have been checked and reviewed by accountants.

Note 2: The allocated figures are listed in the annual board resolution

## 2. Consolidated Condensed Statement of Comprehensive Income

Unit: NT \$ (Thousands)

Year  Items	Financial information for the last five years					Financial information for the current year ending March 31, 2020 (Note 1)
	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	
Operating income	5,371,411	5,695,817	5,916,268	6,764,779	7,169,864	864,952
Operating margin	2,139,586	2,207,383	2,302,475	2,629,007	2,802,906	230,334
Profit and loss	1,177,152	1,032,339	1,165,985	1,1341,398	1,554,456	-86,963
Non-operating income and expenses	77,856	8,140	94,113	-17,544	2,168	36,507
Pre-tax profit	1,255,008	1,040,479	1,260,098	1,323,854	1,556,624	-50,456
The net profit of the business unit for the current period	836,326	735,250	912,917	953,626	1,134,819	-43,968
Loss of business closure	-	-	-	-	-	-
Current net profit (loss)	836,326	735,250	912,917	953,626	1,134,819	-43,968
Other consolidated profits and losses of the current period (net after tax)	-67,251	-285,493	-34,768	-95,632	-213,642	-65,283
Total consolidated profit and loss for the current period	769,075	449,757	878,149	857,994	921,177	-109,251
Net profit attributable to the parent company	836,326	735,250	912,917	953,626	1,134,819	-43,968
Consolidated profit and loss of non-controlled equity	-	-	-	-	-	-
Total consolidated profit and loss of the parent company	769,075	449,757	878,149	857,994	921,177	-109,251
Consolidated profit and loss of non-controlled equity	-	-	-	-	-	-
Earnings per share	14.40	10.54	11.81	10.06	12.01	-0.46



Note 1: Consolidated financial data for the last five years and the first quarter of 2020 have been checked and reviewed by accountants.

(II) The name and audit opinion of certified public accountants in last 5 years

Year	CPA	Company name	Audit opinion
2015	Shih Ching-Pin, Cho Ming-Hsing	Deloitte & Touche Taipei	No reservations
2016	Chiang Ming-Nan, Shih Ching-Pin	Deloitte & Touche Taipei	No reservations
2017	Chiang Ming-Nan, Shih Ching-Pin	Deloitte & Touche Taipei	No reservations
2018	Chiang Ming-Nan, Shih Ching-Pin	Deloitte & Touche Taipei	No reservations
2019	Chiang Ming-Nan, Shih Ching-Pin	Deloitte & Touche Taipei	No reservations

## 2) Consolidated Financial Analysis

Year  Items to be analyzed		Financial analysis for the last five years					Current year ends March 31, 2020 (Note 1)
		2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	2019 (Note 1)	
Financial structure (%)	Debt-to-assets ratio	36.90	39.29	38.35	41.53	29.82	22.18
	Long-term capital ratio of property, plant and equipment	838.67	1024.22	1404.95	1687.18	2153.59	2054.19
Solvency (%)	Liquidity ratio	285.12	263.58	269.01	245.19	366.47	528.28
	Quick ratio	280.76	260.91	265.12	243.39	364.09	514.70
	Times interest earned	2338.07	138.38	78.92	49.99	41.58	16.73
Operating Capacity	Accounts receivables turnover (times)	2.80	2.82	2.71	2.79	2.80	0.64
	Average collection days	130.35	129.36	134.68	130.82	130.35	570.32
	Inventory turnover (times)	53.10	63.92	73.51	82.13	86.62	8.28
	Accounts payable turnover (times)	3.03	3.17	2.98	3.00	2.96	0.74
	Average days of sale	6.87	5.71	4.97	4.44	4.21	44.07
	Property, plant and equipment turnover (times)	12.28	14.50	16.71	20.65	24.24	3.95
	Total asset turnover (times)	1.04	0.97	0.88	0.86	0.87	0.15
Profitabili ty	Return on assets (%)	16.25	12.61	13.74	12.32	14.04	-0.72
	Return on equity (%)	25.11	20.23	22.14	20.13	21.33	-1.11
	Ratio of net profit to paid-in capital before tax (%)	216.08	148.06	160.09	160.19	163.93	-7.08
	Net profit rate (%)	15.57	12.91	15.43	14.10	15.83	-5.08
	Earnings per share (\$)	14.40	10.54	11.81	11.56	12.01	0.46
Cash flow	Cash flow ratio (%)	49.13	34.38	38.05	30.42	55.51	47.57
	Cash flow allowance ratio (%)	-	-	2.92	2.75	2.96	2.81
	Cash reinvestment ratio (%)	21.84	17.91	19.81	11.18	12.51	10.20

Leverage	Operating leverage	1.15	1.14	1.12	1.11	1.1	6.84
	Financial leverage	1.00	1.01	1.01	1.02	1.03	0.97
	<p>1. Increase in the proportion of long-term capital in property, plant and equipment: Mainly due to the profit in 2019 and the net increase in shareholders' equity.</p> <p>2. Interest protection multiple reduced: Mainly caused by the increase of interest expense caused by the increase of borrowing.</p> <p>3. Property, plant and equipment turnover times increased: Mainly caused by expansion of business scale and increase of operating income in 2019.</p> <p>4. Cash flow ratio and cash reinvestment ratio are increased: Mainly caused by the continuous increase of net cash inflow from operating activities.</p>						

Note 1: In 2015-2019 consolidated financial data has been checked by accountants; Consolidated financial data for the first quarter of 2020 shall be reviewed by the accountant.

Note 2: The calculation formula are as follows:

1. Financial structure

(a) debt-to-assets ratio = total liabilities/total assets.

(b) ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities)/net amount of property, plant and equipment.

2. Solvency

(a) current ratio = current assets/current liabilities.

(b) quick ratio = (current assets - inventory - prepaid expenses)/current liabilities.

(c) interest guarantee multiple = net profit before income tax and interest expenses/current interest expenses.

3. Operating capacity

(a) the accounts receivable (including accounts receivable and notes receivable) due to business turnover = net sales/periods, on average, receivables (including accounts receivable and notes receivable due to business) balance.

(b) the average number of days received = 365 / receivable turnover.

(c) inventory turnover rate = cost of goods sold/average inventory.

(d) the accounts payable (including accounts payable and notes payable due to business)  
average accounts payable turnover ratio = cost of goods sold/periods (including accounts payable and notes payable due to business) balance.

(e) average days of sale = 365 / inventory turnover.

(f) property, plant and equipment turnover = net sales/average real estate, plant and equipment.

(g) total assets turnover rate = net sales/average total assets.

#### 4. Profitability

(a) return on assets = (after tax profit and loss + interest expenses \* (1-tax rate))/total average assets.

(b) equity return rate = after-tax profit and loss/average equity total.

(c) net profit ratio = after-tax profit and loss/net sales.

(d) earnings per share = (profit and loss attributable to the parent company - special share dividends)/weighted average number of issued shares. (Note 4)

#### 5. Cash flow

(a) cash flow ratio = net cash flow of operating activities/current liabilities.

(b) net cash flow allowable ratio = net cash flow from operating activities in the last five years/last five years (capital expenditure + inventory increment + cash dividend).

(c) cash reinvestment ratio = (net cash flow of business activities - cash dividends) / (gross amount of property, plant and equipment + long-term investment + other non-current assets + working capital). (Note 5)

#### 6. Leverage:

(a) operating leverage = (net operating income - variable operating costs and expenses)/operating benefits (note 6).

(b) financial leverage = operating benefits / (operating benefits - interest expenses).

3) Supervisors' /Audit Committee's Report for the Most Recent Year

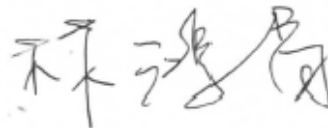
淘帝國際控股有限公司

審計委員會查核報告書

董事會造具本公司民國一百零八年度營業報告書及合併財務報表，其中合併財務報表業經委託勤業眾信聯合會計師事務所江明南會計師及施景彬會計師查核完竣，並出具查核報告。上述營業報告書及合併財務報表經本審計委員會查核，認為尚無不合，爰依證券交易法第十四條之四及公司法第二百一十九條之規定報告如上，敬請 鑒核。

淘帝國際控股有限公司

審計委員會召集人：林鴻昌



中 華 民 國 一 百 零 九 年 三 月 三 十 日

淘帝國際控股有限公司

審計委員會查核報告書

董事會造具本公司民國一百零八年度盈餘分派議案。上述盈餘分派議案經本審計委員會查核，認為尚無不合，爰依證券交易法第十四條之四及公司法第二百零九條之規定報告如上，敬請 鑒核。

淘帝國際控股有限公司

審計委員會召集人：林鴻昌



中 華 民 國 一 百 零 九 年 五 月 十 一 日

4) Financial statements

(I) Recent annual financial report: Please refer to pages 143-201 of this annual report.

5) The most recent fiscal year by the certified public accountants'(CPA) individual financial report: Our company is the listed company, it does not need to prepare the individual financial report, so it is not applicable.

6) The company and its affiliated enterprises shall, in the most recent year and as of the date of publication of the annual report, specify the impact on the financial position of the company in the event of financial difficulties: None.

## 7. Review of Financial Conditions, Financial Performance, and Risk Management

### 1) Analysis of Financial Status

Unit: NT \$ (Thousands); %

Items	Year	2018	2019	Difference	
				Amount	%
Current assets		7,909,543	7,578,881	-330,662	-4.18%
Property, plant and equipment		312,532	279,093	33,439	11.98%
Other assets		276,749	220,662	-56,087	-20.27%
Total assets		8,498,824	8,078,636	-420,188	-4.94%
Current liabilities		3,225,836	2,068,105	-1,157,731	-35.89%
Non-current liabilities		303,710	341,290	37,580	11.01%
Total liabilities		3,529,546	2,409,395	-1,120,151	-46.49%
Equity attributable to the parent company		4,969,278	5,669,241	699,963	12.35%
Equity capital		826,451	949,553	123,102	12.96%
Capital reserves		1,517,887	1,520,022	2,135	0.14%
Retained earnings		2,982,646	3,735,849	753,203	20.16%
Other rights and interests		-322,541	-536,183	-213,642	66.24%
Treasury stock		-35,165	-	-35,165	-
Non-controlling interest		-	-	-	-
Total equity		4,969,278	5,669,241	699,963	14.09%
<p>Significant changes in project specification: (the amount change of more than 10%, and 1% of the total amount of current assets).</p> <ol style="list-style-type: none"> <li>Property, plant, and equipment: Mainly caused by the depletion of fixed assets in 2019.</li> <li>Total current assets and total assets: Mainly due to the repayment of the loan to related parties increase in operating revenue in 2019, cash and accounts receivable are also relatively increased. due to the relative decrease in cash due to the repayment of the relationship loan in 2019</li> <li>Current liabilities and total liabilities: Mainly due to increased short-term borrowing in the fourth quarter of 2019 in response to operating needs.</li> <li>Equity attributable to the parent company, retained earnings and total equity: Mainly because of the increase in net profits in 2019.</li> <li>Other rights and interests: Mainly because of the conversion of foreign currency statements.</li> </ol>					



## 2) Analysis of Financial Performance

### (a) Comparative analysis of business results

Items	Year	2018	2019	Fluctuation	
				Amount	Variable proportion
Operating income		6,764,779	7,169,864	848,511	5.99%
Minus: sales return and discount		-	-	-	-
Net operating income		6,764,779	7,169,864	848,511	5.99%
Operating cost		4,135,772	4,366,958	231,186	5.59%
Operating margin		2,629,007	2,802,906	173,899	6.61%
Unrealized gross profit reduction (increased) between affiliated companies		-	-	-	-
Net operating margin		2,629,007	2,802,906	173,899	6.61%
Operating expenses		1,287,609	1,248,450	-39,159	-3.04%
Operating profit		1,341,398	1,554,456	213,058	15.88%
Non-operating income and benefits		70,682	99,583	28,901	40.89%
Non-operating expenses and losses		88,226	97,415	9,189	10.42%
Pre-tax profit		1,323,854	1,556,624	232,770	17.58%
Minus: income tax expenses		370,228	421,805	51,577	13.93%
After-tax profit		953,626	1,134,819	181,193	19.00%
<p>Significant changes in project specification: (the amount change of more than 10%, and 1% of the total amount of current assets).</p> <ol style="list-style-type: none"> <li>Operating profit, pre-tax profit, and after-tax profit increased: Mainly caused by the continuous increase of agents in mainland China in 2019, the expansion of business scale and the relative reduction of administrative expenses such as advertising expenses.</li> <li>Non-operating expenses and losses increased: Mainly due to loss reduction in 2019.</li> </ol>					

(b) The expected sales volume and its basis, the possible impact on the company's future financial business and the corresponding plan.

The expected sales volume of the company shall be based on previous year's sales. With the improvement of brand awareness, the company's performance will continue to grow. China's economy is still growing at a high rate and consumption level is constantly improving. Therefore, the company should perform well in the future.

### 3) Analysis of Cash Flow

(a) Analysis of the change in cash flow in the most recent year (2019)

Unit: NT \$ (Thousands); %

Items \ Year	Year		Increase (decrease) amount	Increase (decrease) ratio
	2018	2019		
Operating activities	981,326	1,147,929	166,603	16.98%
Investment activities	21,843	-2,712,370	(2,734,213)	(12,517.57%)
Financing activities	101,614	-1,373,331	(1,474,945)	(1,451.52%)
Analysis of variation:				
1. Operating activities: Mainly due to the increase of net profit before tax in 2019.				
2. Investment activities: Mainly due to the purchase of financial assets in 2019				
3. Financing activities: Mainly due to the decrease in short-term borrowing in 2019.				

(b) Cash liquidity analysis and liquidity improvement plan for the year of 2020

Our company has continued to grow for the year of 2020. Business operations will continue to generate a net inflow, and still be expected to adequately support the outflow of investment and financing activities. Therefore, we have no shortage of liquidity at present and in the future.

4) The impact of major capital expenditure on financial business in recent years

(a) Application of major capital expenditures and sources of funds: None.

(b) Expected benefits: None.

5) Investment Policy in the Last Year, Main Causes for Profits or Losses, Improvement Plans and Investment Plans for the Coming Year

(a) The policy of reinvestment

At present, the company's reinvestment policy is mainly based on the investment objectives related to the basic business and does not engage in investment in other industries. The relevant executive departments shall follow the internal control system, such as "investment cycle", "trading operation procedures for group enterprises, specific companies and related parties" and "procedures for acquiring or disposing of assets". The above-mentioned measures or procedures shall be discussed and adopted by the board of directors or shareholders' meeting.

(b) The main causes for its profits or losses

Only TOPBI (China) has substantial business activities, the rest of the investment companies (Topbi International, TOPBI Children, Fujian SDO) are all investment holding companies. Therefore, the latest annual investment gains and losses of TOPBI China are listed as follows:

Unit: NT \$ (Thousands); %

Reinvest	Investment gains and losses recognized in 2019	Explanations
TOPBI (China)	1,256,553	During the year of 2019, the agent in China will continue to increase, and the expansion of the business will continue to increase the operating revenue and net operating profit.

(c) Improvement plan and investment plan for the next year

The company has no definite investment plan at present and will propose an investment plan in the future according to the operational requirements. The company will carefully evaluate the investment plan and handle it according to the relevant approval authority.

## 6) Analysis of Risk Management

### (a) Effects of Changes in Interest Rates, Foreign Exchange Rates and Inflation on Corporate Finance, and Future Response Measures

#### (1) Interest rate change

The interest rate risk of the company mainly comes from bank deposits, which forces the company to bear the risk of cash flow rate and market rate. Interest income for the company in 2019 and 2018 were NT \$34,620 thousand and NT \$30,786 thousand respectively, net operating income ratio is 0.48% and 0.45% respectively, the proportion is not significant, so the change in interest rate has limited influence on the company's operation.

#### Countermeasures:

The company has always maintained good relations with the correspondent banks. The interest rates are set by the banks. However, a change in interest rate should not have a significant impact on the overall operation of the company. In addition, the company should observe interest rate changes in the market at any time to avoid short-term drastic interest rate changes.

#### (2) Exchange rate change

The main operating entity of the company is in mainland China, and the daily operation is based on RMB as the functional currency. The exchange losses and benefits generated in 2019 and 2018 were NT\$44,759 thousand and NT\$61,185 thousand respectively, accounting for 2.88% and 4.56% of the current operating benefits respectively.

#### Countermeasures:

Staying close with the main banks, and to carefully monitor any changes of the foreign exchange market. This is to avoid any valuation gain or loss due to the amount of foreign currency held by the company

#### (3) Inflation

The group is currently operating and trading in mainland China, and the consumer price index (CPI) published by the China national bureau of statistics shows that inflation will tend to moderate. Therefore, the current profit and loss situation of the company will not be affected by inflation.

(b) Policies, Main Causes of Gain or Loss and Future Response Measures with Respect to High-risk, High-leveraged Investments, Lending or Endorsement Guarantees, and Derivatives Transactions

At present, the company has formulated the procedures of "acquiring or disposing of assets processing procedures", "fund lending and others operation procedures", "endorsement guarantee operation procedures" and other relevant operation procedures to regulate the company and its affiliated companies to engage in high-risk, highly leveraged investment, capital lending to others, endorsement guarantee and derivative trading. In the recent year and as of the date of publication of the prospectus, the company and its affiliated companies have not engaged in high-risk, high-leverage investment trading and other endorsements and derivatives trading.

(c) Future Research & Development Projects and Corresponding Budget

In view of the development trend of children's wear industry in the future, from the design of children's wear products to a series of designs for brand planning, integration and research. At the same time, the company will study digital animation, explore the combination of digital animation and clothing brands, and strengthen the dissemination of clothing brands with science and technology. Especially the rapid development of e-commerce, clothing brand in the virtual world of the internet communication. The company expects future R&D spending to account for 1 to 2 percent of revenue in 2020. Considering R&D as the company's core advantage, the company will continue to invest in R&D expenses and is expected to grow gradually with the change of operating income in the future.

(d) Effects of and Response to Changes in Policies and Regulations Relating to Corporate Finance and Sales

The company is registered in the British Cayman Islands and is politically and economically stable. China is the main operating point. At present, Taiwan and China are gradually opening up their investment and the market is developing steadily. At present, the operation of the company has not been affected by important policies at home and abroad. In the future, we will continue to pay attention to relevant laws and regulations and adjust the operation of the company in accordance with laws and policies.

(e) Effects of and Response to Changes in Technology and the Industry Relating to Corporate Finance and Sales

The technology of raw materials changes rapidly, and children's wear products are improved with the public's requirements for comfort. The new fiber materials are used to improve the comfort and perspiration of children's wear. Changes in technology and industry have had no significant impact on the company's business in recent years and as of the date of publication of the prospectus.

(f) The Impact of Changes in Corporate Image on Corporate Risk Management, and the Company's Response Measures

Since the establishment of the company, the company has been carrying out the enterprise objective, continuously strengthening the brand awareness and establishing the brand image, and there has been no crisis management caused by the change of the corporate image. The company will continue to strengthen its corporate governance, strengthen its obligations to the public, and continuously expand its brand visibility, maintain its brand image, and strengthen consumers' loyalty to the brand.

(g) Expected Benefits from, Risks Relating to and Response to Merger and Acquisition Plans

The company has not conducted any acquisition in the most recent year and as of the date of publication of the prospectus.

(h) Expected Benefits from, Risks Relating to and Response to Factory Expansion Plans

The company has not carried out any expansion plans in the recent year and as of the date of publication of the prospectus.

(i) Risks Relating to and Response to Excessive Concentration of Purchasing Sources and Excessive Customer Concentration

(1) Centralized risk of purchase

The company mainly engaged in children's clothing' sales and design, all children's clothing are manufactured by external suppliers, as there are many children's clothing apparel production factory, we must have good evaluation system in place, and to maintain a good relationship with each supplier, in order to ensure the stability of supply sources.

The company in 2019 and 2018 has more than 20 suppliers, each product has more than two alternative suppliers, and no vendors have a stock ratio above 10%, therefore there is no major concentration risk.

(2) Centralized risk of sales

The company's sales & distribution are mainly through local agents, and none of them has sold more than 10% of our total sales, the company has 25 agents responsible for sales in China in 2019, therefore there is no major concentration risk.

(j) Effects of, Risks Relating to and Response to Large Share Transfers or Changes in Shareholdings by Directors, Supervisors, or Shareholders with Shareholdings of over 10%

The most recent fiscal year and as of the date of public disclosure print, the company major business operation and management mechanism of decision-making, and there was no significant change, and the company has selected three independent directors, to strengthen the company's board of directors to perform the major decision function, effective implementation of corporate governance at the same time. Therefore, the company does not cause operating risks to the company due to the transfer or replacement of a large number of shares.

(k) Effects of, Risks Relating to and Response to the Changes in Management Rights

In the recent year and up to the date of publication of the prospectus, the company has not changed its management rights. The company has introduced independent directors to strengthen corporate governance to protect the interests of its shareholders. In addition, the company relies on professional managers for daily operations, and all departments have experienced managers in the industry.

(l) Litigation or non-litigation documents shall state that the company and its directors, supervisors, general managers, material principals, major shareholders with a shareholding ratio of more than 10%, and affiliated companies have decided or are still under the jurisdiction of major litigation, non-litigation or administrative litigation matters. If the results may have a significant impact on shareholders' rights and interests or securities prices, they shall disclose the fact of dispute, the amount of the subject matter, the date of publication, and the date of the annual reports of the parties involved: None.

(l) Other important risks and countermeasures

(1) For more information regarding company's operating risk and response measures, please read the annual reports of the market's production situation about in the company's future development of favorable and unfavorable factors.

(2) The company is equipped with dedicated units, responsible for trademark application and management. This is to ensure intellectual property rights, however, there is no guarantee protection of intellectual property from competitors or other manufacturers.

(3) The specific situations may still fail to provide adequate security: Companies operation are always accompanied by many risks, including and not limited to, equipment, damage, malfunction, delay, capacity constraints, labor strikes, fires, natural disasters such as earthquakes or typhoons, environmental disasters or occupational accidents. The foregoing circumstances may have a material adverse effect on the operation of the company. Although the company has taken out insurance in accordance with the practice of the country where the company operates, such insurance may not provide adequate protection under certain circumstances.

(4) For the first time, the management level is faced with the challenge of becoming a listed company: The company has made remarkable achievements in its management. However, after being listed, we must face many investors, shareholders and professional investment institutions, and the company is a foreign enterprise. The relevant securities laws and regulations in Taiwan are yet to be adapted to and understood. In the future, full-time staff will be charged with maintaining investor relations and implementing the relevant securities laws and regulations in Taiwan to meet the challenges after the listing.

(5) Protection of shareholders' rights and interests: The British Cayman Islands' corporation law and the company law of the Republic of China have different provisions. Although the company has amended its articles of association in accordance with the "reference example of shareholder's rights protection important matters" stipulated by Taiwan stock exchange co., LTD., the laws of both places still have operational differences.

7) Other important matters: None.



## 8. Special Disclosure

### 1) Information of related enterprises

#### 1. Consolidated business report of related enterprises

(a) Organization chart of related enterprises: Please refer to article 2, 1 and 4 of this annual report.

(b) Basic information related to enterprises

December 31, 2019; Unit: NT \$ (Thousands)

Name of firm	Date of establishment	Address	Paid-in capital	Main business or production
TOPBI Children Apparel Co., Limited	2011.02.09	Unit 3 10/F Wing On Plaza 62 Mody Rd TST, KL	1,371,784 (RMB318,649 thousands)	Reinvestment
Fujian SDO Textile & Industry Goods Corp., LTD	2005.09.05	福建省平潭縣進城路嵐湖工業區	206,554 (RMB47,980 thousands)	Reinvestment
Topbi (China) Fashion Corp., LTD	2004.02.24	福建省福州市倉山區蓋山鎮齊安路756號	774,900 (RMB180,000 thousands)	Sale of children's clothing

Note: NT to RMB \$4.305 to ¥ 1

(c) The presumption of control and subordinate relationship is the same shareholder information: None.

(d) Information on directors, supervisors and general managers of related enterprises

Name of firm	Title	Name	Number of shares held (shares)	Shareholding ratio (%)
TOPBI Children Apparel Co., Limited	Chairman	Zhou Xun Cai	-	-
Fujian SDO Textile & Industry Goods Corp., LTD	Chairman	Zhou Xun Cai	-	-
	Director	Ke Tong	-	-
	Director	Yao HuaPing	-	-
	Supervisor	Zhou LinHong	-	-
Topbi (China) Fashion Corp., LTD	Chairman	Zhou Xun Cai	-	-
	Director	Zhou ZhiHong	-	-
	Director	Zhuang LingFeng	-	-
	Supervisor	Zhou Lin Hong	-	-
	General Manager	Zhou ZhiHong	-	-

## (e) Operation profile of all related enterprises

December 31, 2019; Unit: RMB (Thousands)

Name of firm	Paid-in capital	Total assets	Total liabilities	Net value	Operating income	Operating profit (loss)	Current profit (loss) (after tax)	Earnings per share (RMB)(after tax)
TOPBI Children Apparel Co., Limited	318,649	1,784,772	244,045	1,540,729	-	-	271,116	(Note 1)
Fujian SDO Textile & Industry Goods Corp., LTD	47,980	474,391	-	474,391	-	-	74,685	(Note 1)
Topbi (China) Fashion Corp., LTD	180,000	2,191,246	406,071	1,785,175	1,603,279	353,736	280,982	(Note 1)

Note 1: Not a limited liability company, so the earnings per share cannot be calculated

- 2) The most recent year and as of the date of publication of the annual report, the handling of private securities: None.
- 3) In the most recent year and as of the date of publication of the annual report, the subsidiary holds or disposes of the company's shares: None.
- 4) Other necessary supplementary instructions: None.

5) Description of major differences between the Company's AOA and Taiwan's regulations on protection of shareholders' rights and interests:

As the law of the Cayman Islands and the law of the Republic of China (Taiwan) slightly vary from each other, the Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer ("**Shareholders' Rights/Interests Protection Checklist**"), as amended by Taiwan Stock Exchange Corporation, does not always apply to the Company. The table below provides information about the differences between the Company's current Memorandum and Articles of Association ("**AOA**") and the Shareholders' Rights/Interests Protection Checklist due to the law of the Cayman Islands, and the provisions of the AOA.

<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
In case of shares of a company purchased by the company to be transferred to its employees, the company may restrain such shares from being assigned or transferred to others within a specific period of time which shall in no case be longer than two years.	The directors of the company have the discretion to determine terms and conditions on treasury shares; also the Cayman Islands Companies Law ("Companies Law") does not include any requirements on employee incentive plans.	As defined in Article 1 of the AOA, treasury shares are shares issued by the Company pursuant to the AOA, the Companies Law, and listing regulations that are purchased, redeemed or otherwise acquired by the Company and are not cancelled. The restrictions are therefore stated in <b>Article 40D</b> of the AOA. According to the Cayman lawyer, however, the restrictions agreed between the Company and the employee is a contractual matter between themselves.
6. The following matters shall be enumerated and explained in the notice to convene the shareholders meeting, with key information being provided, and should not be proposed by way of an extemporary	The Companies Law does not have specific regulations on extemporary motion. According to the Cayman lawyer, with regard to extemporary motion, a notice of shareholders' meeting should specify issues to be discussed at	As the Companies Law does not have specific regulations on extemporary motion, the requirement under Item 5 is provided in <b>Article 50</b> of the AOA.

<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
<p>motion at the meeting; material contents of such matters may be uploaded onto the website designated by the TWSE, TPEX or the Company with the address of website indicated in the notice:</p> <ol style="list-style-type: none"> <li>(1) Election or discharge of director(s) and supervisor(s);</li> <li>(2) Amendment to the memorandum and articles of association;</li> <li>(3) Reduction in share capital;</li> <li>(4) Application for de-registration as a public company;</li> <li>(5) Dissolution, merger, share transfer and split-up of the company;</li> <li>(6) Signing of, amendment to or termination of a contract in respect of lease of all business, appointment of an agent to operate business, or regular joint operation with a third party;</li> <li>(7) Assignment of all or major business or assets;</li> <li>(8) Assumption of all business or assets of a third party that may have a significant impact on the operation of the company;</li> <li>(9) Issue of securities of a nature similar to shares in private placement;</li> </ol>	<p>the meeting as well as related information to help shareholders understand the issues. While the notice of shareholders' meeting usually includes the section of "any other proposals", that section should cover only issues of an informal or insignificant nature. The chairperson of the meeting should not propose any important issue by way of an extemporary motion. In the event of an important issue not scheduled for discussion, another meeting should be convened for discussion and resolution according to the procedure. In case of emergency, however, where an additional issue must be discussed at the shareholders' meeting, specific information about the issue must be proposed again for ratification at the next meeting. Despite of the fact the Cayman law does not include an explicit prohibition on extemporary motion, the Cayman lawyer advised against any extemporary motion at a shareholders' meeting.</p>	<p>According to the Cayman lawyer, with regard to extemporary motion, a notice of shareholders' meeting should specify issues to be discussed at the meeting as well as related information to help shareholders understand the issues. While the notice of shareholders' meeting usually includes the section of "any other proposals", that section should cover only issues of an informal or insignificant nature. The chairperson of the meeting should not propose any important issue by way of an extemporary motion. In the event of an important issue not scheduled for discussion, another meeting should be convened for discussion and resolution according to the procedure. In case of emergency, however, where an additional issue must be discussed at the shareholders' meeting, specific information about the issue must be proposed again for ratification at the next meeting.</p>

Differences	Cayman law and description	AOA regulations and description
<p>(10) Approval of performance of activities by director in violation of non-compete restrictions;</p> <p>(11) Allocation of all or part of share dividends and bonuses through issue of new shares;</p> <p>(12) Allocation of legal reserve and additional paid-in capital from the income derived from the issuance of new shares at a premium or from endowments received by the company by issuing new shares or by paying cash to original shareholders through issue of shares.</p>		
<p>3. When voting rights are to be exercised in writing or by way of electronic transmission, the method for exercising the voting power shall be described in the shareholders' meeting notice to be given to the shareholders. A shareholder exercising his or her voting rights in writing or by way of electronic transmission is deemed present at the shareholders' meeting in person, but will be deemed to have waived his or her rights to cast votes on issues proposed by way of an extemporary</p>	<p>The Companies Law does not have any specific regulations on the requirement under Item 3.</p>	<p>As the Companies Law does not have any specific regulations on the first part of requirement under Item 3, the first part of the requirement under Item 3 is provided in Article 68 of the AOA. Also, according to the Cayman lawyer, a shareholder casting votes in writing is deemed to have appointed the chairperson of the meeting to cast votes on his or her behalf. Thus, with reference to the Cayman lawyer's opinion, the second part of the requirement under Item 3 is provided in <b>Article 68</b> of the AOA (i.e. a shareholder exercising his or her voting rights in writing or by way</p>

<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
<p>motion and amendment to an existing proposal.</p>		<p>of electronic transmission is deemed to have authorized the chairperson of the meeting to exercise his or her rights at the shareholders' meeting as instructed in the written or electronic instructions, but the shareholder will be deemed to have waived his or her rights to cast votes on issues proposed by way of an extemporary motion and amendment to an existing proposal at the shareholders' meeting, provided that the above authorization shall not work as appointment of agent under the listing regulations).</p>
<p>5. If a shareholder decides to attend the shareholders' meeting in person after he or she has exercised his or her voting rights in writing or by way of electronic transmission, he or she should revoke the declaration of intent to exercise of voting rights in the same manner as how he or she has exercised voting rights two days before the shareholders' meeting, or he or she shall still be deemed to have exercised his or her voting rights by writing or by way of electronic transmission.</p>	<p>The Companies Law does not have any specific regulations on the requirement under Item 5.</p>	<p>As the Companies Law does not have any specific regulations on the requirement under Item 5, the requirement under Item 5 is provided in <b>Article 70</b> of the AOA. According to the Cayman lawyer, under common law, a person may revoke its proxy by attending the meeting in person. In view that a shareholder exercising his or her voting rights in writing or by way of electronic transmission is deemed to have authorized the chairperson of the shareholders' meeting to exercise voting rights on his or her behalf according to his or her written or electronic instructions, the</p>

Differences	Cayman law and description	AOA regulations and description
		requirements under Item 5 may not be enforceable.
<p>4. If a shareholder decides to attend the shareholders' meeting in person or exercise his or her voting rights in writing or by way of electronic transmission after his or her proxy has been delivered to the company, he or she should issue a written notice to the company to revoke the authorization two days before the shareholders' meeting, or he or she shall still be deemed to have authorized his or her proxy to vote at the meeting.</p>	<p>The Companies Law does not have any specific regulations on proxy or solicitation of proxies.</p>	<p>As the Companies Law does not have any specific regulations on proxy or solicitation of proxies, the requirement under Item 4 is provided in <b>Article 62B</b> of the AOA. According to the Cayman lawyer, under common law, a person may revoke its proxy by attending the meeting in person. Therefore, the requirements under Item 4 may not be enforceable.</p>
<p>For any of the following proposals materially involving shareholders' rights and interests, a resolution adopted by a majority of the shareholders present who represent two-thirds or more of the total number of its outstanding shares is required. In case where shares represented by the shareholders attending the shareholders' meeting are less than the preceding minimum requirement, as an alternative, the proposal may be adopted by two-thirds or more of the attending shareholders who represent a</p>	<p>With respect to Items 1, 4, 5 (Split-up) and 6, the Companies Law does not provide any special requirement or prohibition.</p> <p>With respect to Items 2 and 3, No.24 of the Companies Law provides that any and all changes or amendments to the memorandum and articles of association shall be approved by special resolution.</p> <p>With respect to Item 5 (Dissolution), §116 of the Companies Law provides that a company's voluntary dissolution is subject to special resolution; in case of a voluntary dissolution due</p>	<p>Article 32(h) of the AOA is expected to be amended by the annual shareholders' meeting of 2020 in accordance with the provision set forth in the sixth paragraph of the left column of the "Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer" issued by Taiwan Stock Exchange Corporation on December 25, 2019.</p> <p>1. As the Companies Law does not contain any specific requirement or prohibition on</p>



<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
<p>majority of the total number of its outstanding shares:</p> <ol style="list-style-type: none"> <li>1. The company's signing of, amendment to, or termination of a contract in respect of lease of all business, appointment of an agent to operate business, or regular joint operation with a third party, assignment of all or major business or assets, assumption of all business or assets of a third party that may have a significant impact on the operation of the company;</li> <li>2. Amendment to the memorandum and articles of association;</li> <li>3. If an amendment to the memorandum and articles of association will jeopardize the rights and interest of preferred shareholders, the amendment is subject to approval of a preferred shareholders' meeting;</li> <li>4. Allocation of all or part of share dividends and bonuses through issue of new shares; and</li> <li>5. Resolution on dissolution, merger or split up.</li> <li>6. Share swap.</li> </ol>	<p>to insolvency, a resolution at shareholders' meeting is required. According to the Cayman lawyer, the above shareholders' resolution could be ordinary resolution, special resolution or a resolution requiring more approval votes provided in the memorandum and articles of association. Given that the AOA does not provide requirements on this matter, an ordinary resolution will suffice. In addition, with respect to Item 5 (Merger), according to the Cayman lawyer, §233(6) of the Companies Law provides that a special resolution is required, unless otherwise provided in the memorandum and articles of association.</p>	<p>the provision on split-up in Items 1, 4, 5 and 6, the requirements on split-up under Items 1, 4, 5 and 6 are separately provided in <b><u>Article 32(a)(b)(c)(d)(g)(h)</u></b> of the AOA, stating split-up is subject to resolution requiring more approval votes at shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B (as defined above).</p> <ol style="list-style-type: none"> <li>2. As provided in §24 of the Companies Law, any and all changes or amendments to the memorandum and articles of association shall be approved by special resolution. So the requirement under Item 2 is provided in <b><u>Article 157</u></b> of the AOA, which states the Company may amend its memorandum and/or AOA at any time by special resolution. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.</li> <li>3. According to §24 of the</li> </ol>

<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
		<p>Companies Law, any and all changes or amendments to the memorandum and articles of association shall be approved by special resolution. So the requirement under Item 3 is provided in Article 18 of the AOA, which states that if an amendment to the AOA will jeopardize the rights and interest of preferred shareholders, the amendment must be approved both with special resolution at a ordinary shareholders' meeting and special resolution at a preferred shareholders' meeting. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.</p> <p>4. With respect the provision on dissolution under Item 5, according to §116 of the Companies Law, a company's voluntary dissolution is subject to special resolution; in case of a voluntary dissolution due to insolvency, a resolution at shareholders'</p>

Differences	Cayman law and description	AOA regulations and description
		<p>meeting is required. According to the Cayman lawyer, the above shareholders' resolution could be ordinary resolution, special resolution or a resolution requiring more approval votes provided in the memorandum and articles of association. So the requirement on dissolution under Item 5 is provided in <b>Article 33</b> of the AOA, which states if the Company is subject to voluntary dissolution due to inability to repay debts that are due, the dissolution shall be approved by resolution requiring more approval votes at shareholders' meeting, i.e. Supermajority Resolution Type A or Supermajority Resolution Type B, as defined above (<b>Article 33(a)</b>). If the Company is subject to voluntary dissolution for other reason, the dissolution shall be approved by special resolution (<b>Article 33(b)</b>). The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting</p>

Differences	Cayman law and description	AOA regulations and description
		<p>shares attending at the meeting in person or by proxy.</p> <p>5. With respect the provision on merger under Item 5, according to the Cayman lawyer, as provided under §233(6) of the Companies Law, merger shall be subject to approval by special resolution or handled in accordance with the memorandum and articles of association where the requirement on resolution is otherwise provided in the memorandum and articles of association. So the requirement on merger under Item 5 is provided in <b>Article 31(C)</b> of the AOA. The requirement on attendance of shareholders at the shareholders' meeting is based on the provisions of Article 51 of the AOA, i.e. shareholders representing a majority of all issued voting shares attending at the meeting in person or by proxy.</p>
Regulations on supervisors.	The Companies Law does not have any specific regulations on supervisors.	The AOA is not amended for this purpose as the Company does not have any supervisor.

<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
<p>1. A shareholder holding 1% or more of the Company's total issued shares for six consecutive months or longer may request in writing the supervisor to institute an action against the director on behalf of the Company, in which case the Taiwan Taipei District Court shall be the court of first instance.</p> <p>2. In the absence of action initiated by supervisor after 30 days of a shareholder's request, the shareholder may initiate an action for the Company, in which case the Taiwan Taipei District Court shall be the court of first instance.</p>	<p>The Cayman law does not provide any specific requirement or prohibition.</p> <p>According to the Cayman law, a shareholder may file an action on behalf of the company against: (A) an action that is illegal or not within the powers or authority of the company, and therefore cannot be ratified by shareholders; or (B) an action constituting fraud against minority shareholders (i.e. the purpose of the action is to seek relief against majority shareholders who will not allow the company to do nothing against the plaintiff to the action seeking relief, provided that the shareholder must prove the occurrence of fraud and that the person engaging in unlawful activities has controlling power over the company before an action may be initiated.)</p> <p>To the extent that an action is performed within the powers of the company, or an action performed is not within the powers of the company but can be ratified by shareholders, generally the Cayman court will not interfere with the company's internal acts. We have doubt on the enforceability in Cayman Islands of this provision if it is</p>	<p>Article 123 of the AOA is expected to be amended by the annual shareholders' meeting of 2019 in accordance with the provisions set forth in the first paragraph of the left column of the "Checklist of Protection of Shareholders' Rights/Interests in the Jurisdiction where a Foreign Securities Issuer" issued by Taiwan Stock Exchange Corporation on November 30, 2018.</p> <p>The Cayman law does not provide any specific requirement or prohibition, and the Company does not have a supervisor and instead has established the audit committee. With reference to TWSE Tai-Zheng-Shang-Zi No. 1011702189 Letter of July 27, 2012, providing that supervisors shall be replaced by independent directors of the audit committee, the requirement on replacement of supervisors by audit committee under Items 1 and 2 is provided in</p>

<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
	<p>incorporated into the AOA of the Company because the courts of Cayman Islands are unlikely to recognize and enforce foreign judgment which is not the monetary judgment without any re-examination of merits of the underlying dispute.</p>	<p>Article 123 of the AOA, and the governing court (including the Taiwan Taipei District Court, if applicable) shall have jurisdiction over the matter. Also according to the Cayman lawyer, Article 123 of the AOA must be in consistence with the Cayman law, which states that if the director believes filing of an action is not beneficial to the company, the director shall not be liable to initiate an action against other directors of the company despite of the request of a shareholder holding more than 1% of the shares.</p>
<p>1. Directors of the company shall have the loyalty and shall exercise the duty of care as good administrators in conducting the business operation of the company. Director shall be liable for damages to the company in the event of a violation of the above. If the act was performed for themselves or others, the shareholders may resolve at a general meeting to</p>	<p>According to the Cayman law, directors have fiduciary duties to the company. In the event of damage to the company due to violation of the duties, the court of law may order the directors to be liable for damage compensation. If directors violated their fiduciary duties for themselves or others and have gained profits as a result, the court may order return of the profits derived therefrom.</p> <p>According to the Cayman law, if a director causes damage to a third-</p>	<p>By referring to the Cayman lawyer (see the left column for details), we have included the requirements under Items 1, 2, and 3 in <b>Article 97A</b> of the AOA. According to the Cayman lawyer, however, despite of the fact that the AOA provides directors and the Company have joint and several liability, from the perspective of the Cayman law, a third party cannot directly claim against the director.</p>

<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
<p>treat the gains from the act as the gains of the company.</p> <p>2. If directors have, in the course of conducting the business operations, violated any provision of the applicable laws and/or regulations and thus caused damage to any other person, the directors and the company shall be jointly and severally liable for the damages to the injured.</p> <p>3. Within the scope of performance of their duties and functions, managers and supervisors of the company shall have the same liability as the directors of the company.</p>	<p>party during performance of company business, the third party may claim damages against the company, and the company may further claim compensation by the director for losses arising from the third-person claim. Despite of the fact that the AOA provides directors and the Company have joint and several liability, from the perspective of the Cayman law, the third party cannot directly claim against the director.</p>	

6. The most recent year and as of the date of publication of the annual report, if there is any matter that has a significant impact on shareholders' rights and interests or securities prices as set out in section 2, paragraph 2, article 36 of the securities and exchange law: None.

## Appendix



**TOPBI International Holdings Limited and  
Subsidiaries**

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

## **INDEPENDENT AUDITORS' REPORT**

The Board of Directors and the Shareholders  
TOPBI International Holdings Limited

### **Opinion**

We have audited the accompanying consolidated financial statements of TOPBI International Holdings Limited 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 audits 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 Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were 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 these matters.

The key audit matters identified in the Group's consolidated financial statements for the year ended December 31, 2019 are discussed as follows:

### Recognition of Revenue

Refer to Notes 4 and 23 to the consolidated financial statements for the accounting policies related to recognition of revenue.

The sales revenue of the Group from specific customer groups for the year ended December 31, 2019 significantly increased to RMB119,775 thousand (functional currency) compared with the previous year. The increased amount was RMB76,327 thousand which accounted for 64% increase to the consolidated sales revenue. Therefore, we considered recognition of sales revenue from specific customer groups as one of the key audit matters in the consolidated financial statements.

The main audit procedures that we performed in respect of the revenue recognition included the following:

1. We obtained an understanding of the related internal control of sales revenue recognition and tested that the internal control operations are effective during sales transactions.
2. We obtained the sales details of specific sales of customers and checked their orders, shipping documents and collection documents.
3. We sent confirmation letter inquiries to sales customers and reviewed the collections status after the period to confirm the authenticity of the Group's sales revenue.

### Existence of Cash and Bank Deposits

Refer to Notes 6 and 8 to the consolidated financial statements for the detailed information related to the amount of cash and cash equivalents, and bank deposits with original maturities of more than three months.

As of December 31, 2019, the total amount of 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) was \$2,572,276 thousand, which represented 32% of the Group's total assets. The amount and the percentage of cash and cash equivalents, and time deposits with original maturities of more than three months is significant. Therefore, we considered the existence of cash and cash equivalents, and time deposits with original maturities of more than three months as a key audit matter.

The main audit procedures that we performed in respect of cash and bank deposits included the following:

1. We obtained an understanding of the controls over cash and cash equivalents, and time deposits with original maturities of more than three months.
2. We selected samples of transactions of bank withdrawals from the ledger, verified that there are legitimate bank receipts to back up the transactions and examined that vouchers were properly approved.
3. We obtained details of the Group's bank deposit accounts with outstanding balance and verified the amounts to the bank statements and the general ledger.
4. We sent by postal mail bank confirmations to all correspondent banks and verified the existence of bank deposits balance to bank confirmation responses.
5. We examined bank confirmation responses for any restricted bank deposits and verified that they were properly disclosed in the consolidated financial statements.

## **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 audit committee, 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 those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters 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-Nan Chiang and Ching-Pin Shih.

Deloitte & Touche  
Taipei, Taiwan  
Republic of China

March 30, 2020

Notice to Readers

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

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

# TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 4 and 6)	\$ 1,056,966	13	\$ 4,006,839	47
Financial assets at fair value through profit or loss - current (Notes 4 and 7)	2,385,637	29	-	-
Financial assets at amortized cost - current (Notes 4, 8 and 9)	1,506,750	19	1,296,880	15
Trade receivables (Notes 4, 10 and 23)	2,569,995	32	2,546,510	30
Other receivables (Notes 4 and 10)	9,790	-	466	-
Inventories (Notes 4 and 11)	48,866	1	51,970	1
Prepayments (Notes 3, 16 and 17)	177	-	6,183	-
Other current assets	700	-	695	-
Total current assets	<u>7,578,881</u>	<u>94</u>	<u>7,909,543</u>	<u>93</u>
<b>NON-CURRENT ASSETS</b>				
Financial assets at amortized cost - non-current (Notes 4, 8, 9 and 31)	9,010	-	-	-
Property, plant and equipment (Notes 4 and 13)	279,093	3	312,532	4
Right-of-use assets (Notes 3, 4 and 14)	204,528	3	-	-
Deferred tax assets (Notes 4 and 25)	6,909	-	46,031	1
Refundable deposits (Notes 17 and 30)	215	-	223	-
Long-term prepayments for leases (Notes 3 and 16)	-	-	212,462	2
Other prepayments (Note 17)	-	-	18,033	-
Total non-current assets	<u>499,755</u>	<u>6</u>	<u>589,281</u>	<u>7</u>
<b>TOTAL</b>	<u>\$ 8,078,636</u>	<u>100</u>	<u>\$ 8,498,824</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 18 and 30)	\$ 276,104	3	\$ 1,457,079	17
Accounts payable (Note 19)	1,469,359	18	1,477,852	17
Other payables (Note 20)	143,354	2	152,529	2
Other payables to related parties (Note 30)	354	-	12,633	-
Current tax liabilities (Notes 4 and 25)	133,881	2	125,740	2
Current portion of long-term borrowings (Notes 4, 18 and 31)	45,049	1	-	-
Other current liabilities	4	-	3	-
Total current liabilities	<u>2,068,105</u>	<u>26</u>	<u>3,225,836</u>	<u>38</u>
<b>NON-CURRENT LIABILITIES</b>				
Long-term borrowings (Notes 4, 18 and 31)	45,049	-	-	-
Deferred tax liabilities (Notes 4 and 25)	293,476	4	300,838	4
Guarantee deposits received (Note 30)	2,765	-	2,872	-
Total non-current liabilities	<u>341,290</u>	<u>4</u>	<u>303,710</u>	<u>4</u>
Total liabilities	<u>2,409,395</u>	<u>30</u>	<u>3,529,546</u>	<u>42</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Ordinary shares				
Share capital	949,553	12	826,451	10
Capital surplus	1,520,022	19	1,517,887	18
Retained earnings				
Legal reserve	480,296	6	384,933	4
Special reserve	322,542	4	226,909	3
Unappropriated earnings	2,933,011	36	2,370,804	28
Total retained earnings	3,735,849	46	2,982,646	35
Other equity	(536,183)	(7)	(322,541)	(4)
Treasury shares	-	-	(35,165)	(1)
Total equity	<u>5,669,241</u>	<u>70</u>	<u>4,969,278</u>	<u>58</u>
<b>TOTAL</b>	<u>\$ 8,078,636</u>	<u>100</u>	<u>\$ 8,498,824</u>	<u>100</u>

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

## TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

	2019		2018	
	Amount	%	Amount	%
SALES (Notes 4, 23 and 35)	\$ 7,169,864	100	\$ 6,764,779	100
COST OF GOODS SOLD (Note 11)	<u>4,366,958</u>	<u>61</u>	<u>4,135,772</u>	<u>61</u>
GROSS PROFIT	<u>2,802,906</u>	<u>39</u>	<u>2,629,007</u>	<u>39</u>
OPERATING EXPENSES (Notes 15, 21, 24 and 30)				
Selling and marketing expenses	999,171	14	1,014,503	15
General and administrative expenses	162,906	2	189,074	3
Research and development expenses	<u>86,373</u>	<u>1</u>	<u>84,032</u>	<u>1</u>
Total operating expenses	<u>1,248,450</u>	<u>17</u>	<u>1,287,609</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>1,554,456</u>	<u>22</u>	<u>1,341,398</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	34,620	1	30,786	-
Rental revenue (Notes 4 and 30)	45,278	1	38,691	1
Other income - others (Note 30)	1,104	-	1,171	-
Gain on financial assets at fair value through profit or loss (Notes 4 and 7)	18,581	-	34	-
Interest expenses (Note 30)	(38,358)	(1)	(27,021)	-
Loss on disposal of property, plant and equipment (Note 4)	-	-	(20)	-
Loss on foreign currency exchange (Notes 4 and 31)	(44,759)	(1)	(61,185)	(1)
Impairment loss recognized on other intangible assets (Notes 4 and 15)	<u>(14,298)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total non-operating income and expenses	<u>2,168</u>	<u>-</u>	<u>(17,544)</u>	<u>-</u>
PROFIT BEFORE INCOME TAX	1,556,624	22	1,323,854	20
INCOME TAX EXPENSE (Notes 4 and 24)	<u>421,805</u>	<u>6</u>	<u>370,228</u>	<u>6</u>
NET PROFIT FOR THE PERIOD	1,134,819	16	953,626	14
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences on translation to the presentation currency (Note 22)	<u>(213,642)</u>	<u>(3)</u>	<u>(95,632)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 921,177</u>	<u>13</u>	<u>\$ 857,994</u>	<u>13</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 1,134,819</u>	<u>16</u>	<u>\$ 953,626</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 921,177</u>	<u>13</u>	<u>\$ 857,994</u>	<u>13</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 12.01</u>		<u>\$ 10.06</u>	

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

(Concluded)

**TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES**

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

	Equity Attributable to Owners of the Company						Other Equity			Total Equity
	Share Capital (Notes 22 and 27)		Capital Surplus (Notes 22 and 27)	Retained Earnings (Note 22)			Exchange Differences on Translating the Financial Statements of Foreign Operations (Note 22)	Unearned Employee Benefit (Notes 22 and 27)	Treasury Shares (Note 22)	
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve	Unappropriated Earnings				
BALANCE AT JANUARY 1, 2018	78,710	\$ 787,096	\$ 1,517,887	\$ 293,641	\$ 192,141	\$ 1,962,760	\$ (226,909)	\$ (22,261)	\$ -	\$ 4,504,355
Appropriation of 2017 earnings										
Legal reserve	-	-	-	91,292	-	(91,292)	-	-	-	-
Special reserve	-	-	-	-	34,768	(34,768)	-	-	-	-
Cash dividends distributed by the Company - NT\$4.83 per share	-	-	-	-	-	(380,167)	-	-	-	(380,167)
Share dividends distributed by the Company - NT\$0.50 per share	3,935	39,355	-	-	-	(39,355)	-	-	-	-
	3,935	39,355	-	91,292	34,768	(545,582)	-	-	-	(380,167)
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(35,165)	(35,165)
Net profit for the year ended December 31, 2018	-	-	-	-	-	953,626	-	-	-	953,626
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(95,632)	-	-	(95,632)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	953,626	(95,632)	-	-	857,994
Compensation cost of employees' restricted shares	-	-	-	-	-	-	-	22,261	-	22,261
BALANCE AT DECEMBER 31, 2018	82,645	826,451	1,517,887	384,933	226,909	2,370,804	(322,541)	-	(35,165)	4,969,278
Appropriation of 2018 earnings										
Legal reserve	-	-	-	95,363	-	(95,363)	-	-	-	-
Special reserve	-	-	-	-	95,633	(95,633)	-	-	-	-
Cash dividends distributed by the Company - NT\$3.15 per share	-	-	-	-	-	(258,514)	-	-	-	(258,514)
Share dividends distributed by the Company - NT\$1.5 per share	12,310	123,102	-	-	-	(123,102)	-	-	-	-
	12,310	123,102	-	95,363	95,633	(572,612)	-	-	-	(258,514)
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(12,894)	(12,894)
Net profit for the year ended December 31, 2019	-	-	-	-	-	1,134,819	-	-	-	1,134,819
Other comprehensive income (loss) for the year ended December 31, 2019, net of income tax	-	-	-	-	-	-	(213,642)	-	-	(213,642)
Total comprehensive income (loss) for the year ended December 31, 2019	-	-	-	-	-	1,134,819	(213,642)	-	-	921,177
Exercise of employee share options	-	-	-	-	-	-	-	-	48,059	48,059
Compensation cost of employees' restricted shares	-	-	2,135	-	-	-	-	-	-	2,135
BALANCE AT DECEMBER 31, 2019	94,955	\$ 949,553	\$ 1,520,022	\$ 480,296	\$ 322,542	\$ 2,933,011	\$ (536,183)	\$ -	\$ -	\$ 5,669,241

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



# TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

	2019	2018
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,556,624	\$ 1,323,854
Adjustments for:		
Depreciation expenses	28,634	23,665
Amortization expenses	3,210	6,117
Gain on financial assets at fair value through profit or loss	(18,581)	(34)
Write-down of inventories	5,642	6,892
Interest expenses	38,358	27,021
Interest income	(34,620)	(30,786)
Compensation cost of share-based payments	2,135	22,261
Loss on disposal of property, plant and equipment	-	20
Impairment loss recognized on other intangible assets	14,298	-
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	34
Accounts receivable	(123,181)	(295,305)
Other receivables	(16)	-
Inventories	(4,433)	(11,202)
Prepayments	-	41,794
Other current assets	(32)	(51)
Accounts payable	48,507	230,698
Other payables	(3,024)	31,875
Other payables to related parties	-	(136)
Other current liabilities	1	-
Cash generated from operations	<u>1,513,522</u>	<u>1,376,717</u>
Income tax paid	<u>(365,593)</u>	<u>(395,391)</u>
Net cash generated from operating activities	<u>1,147,929</u>	<u>981,326</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets measured at cost	(1,574,559)	(2,664,800)
Proceeds from sale of financial assets measured at cost	1,296,880	2,664,800
Purchase of financial assets at fair value through profit or loss	(2,459,600)	-
Payments for property, plant and equipment	(23)	(111)
Proceeds from disposal of property, plant and equipment	-	10
Increase in other prepayments	-	(9,462)
Interest received	<u>24,932</u>	<u>31,406</u>
Net cash generated from (used in) investing activities	<u>(2,712,370)</u>	<u>21,843</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	479,918	647,346
Repayments of short-term borrowings	(1,580,393)	(94,389)
Increase (decrease) in guarantee deposits received	-	598
Dividends paid to owners of the Company	(258,514)	(396,920)
Exercise of employee share options	48,059	-

(Continued)

# TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

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	2019	2018
Payments for buy-back of ordinary shares	\$ (12,894)	\$ (35,165)
Interest paid	<u>(49,507)</u>	<u>(19,856)</u>
Net cash generated from (used in) financing activities	<u>(1,373,331)</u>	<u>101,614</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(12,101)</u>	<u>(75,021)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(2,949,873)	1,029,762
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>4,006,839</u>	<u>2,977,077</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 1,056,966</u>	<u>\$ 4,006,839</u>

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

(Concluded)

# TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

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### 1. GENERAL INFORMATION

TOPBI International Holdings Limited (the “Company”) was incorporated in the Cayman Islands in October 2012. The Company’s main business is investing and holding. The Company was established after an organizational restructuring for listing on Taiwan Stock Exchange (TWSE).

The Company’s shares have been listed on the TWSE since December 2013.

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 New Taiwan dollars (“NTD”) since the Company’s shares are listed on the Taiwan Stock Exchange.

### 2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 30, 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), IFRIC Interpretations (IFRIC) and SIC Interpretations (SIC) (collectively, the “IFRSs”) endorsed and issued into effect by the FSC.

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 would not have any material impact on the Group’s accounting policies:

- IFRS 16 “Leases”

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

#### Definition of a lease

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

### The Group as lessee

The Group recognizes right-of-use assets, or investment properties if the right-of-use assets meet the definition of investment properties, 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 will be classified within financing activities. Currently, payments under operating lease contracts, including property interest qualified as investment properties, were recognized as expenses on a straight-line basis. Prepaid lease payments for land use rights of land located in China are recognized as prepayments for leases. Cash flows for operating leases are classified within operating activities on the consolidated statements of cash flows. Leased assets and finance lease payables are recognized for contracts classified as finance 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.

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

	<b>As Originally Stated on January 1, 2019</b>	<b>Adjustments Arising from Initial Application</b>	<b>Restated on January 1, 2019</b>
Prepayments for leases - current	\$ 5,999	\$ (5,999)	\$ -
Prepayments for leases - non-current	212,462	(212,462)	-
Right-of-use assets	-	<u>218,461</u>	218,461
Total effect on assets		<u>\$ -</u>	

### The Group as lessor

Except for sublease transactions, the Group will not make any adjustments for leases in which it is a lessor and will account for those leases with the application of IFRS 16 starting from January 1, 2019.

- b. The IFRSs endorsed by the Financial Supervisory Commission (FSC) for application starting from 2020

<b>New IFRSs</b>	<b>Effective Date Announced by IASB</b>
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.

Except for the above impact, 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.

Except for the above impact, 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 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, including structured entities). Subsidiaries have brought their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 12, Table 6 and Table 7 for detailed information on subsidiaries (including 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 from 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 cases, 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 its foreign operations (including subsidiaries, associates, joint ventures and branches 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 are mainly merchandise and stated at the lower of cost or net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

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

Depreciation of 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 the 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. Intangible assets

1) Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are initially measured at cost and subsequently measured at cost less accumulated amortization and accumulated impairment loss. Amortization is recognized on a straight-line basis. The estimated useful lives, residual values, and amortization methods are reviewed at the end of each reporting period, with the effect of any changes in the estimates accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are measured at cost less accumulated impairment loss.

2) Derecognition of intangible assets

On derecognition of an intangible asset, the difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit or loss.

i. Impairment of tangible assets and intangible 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 any 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.

The recoverable amount is the higher of fair value less costs to sell and 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.

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 assets are classified into the following categories: Financial assets at FVTPL and financial assets at amortized cost.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such a financial asset is mandatorily classified or designated as at FVTPL. Financial assets mandatorily classified as at FVTPL include investments in equity instruments which are not designated as at FVTOCI and debt instruments that do not meet the amortized cost criteria or the FVTOCI criteria.

Financial assets at FVTPL are subsequently measured at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates interest earned on such a financial asset. Fair value is determined in the manner described in Note 29.

ii. 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, time deposits with original maturities of more than 3 months, trade receivables at amortized cost, other receivables at amortized and refundable deposits, 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 3 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 losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a 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 ECLs.

Expected credit losses reflect the weighted average of credit losses with the respective risks of default occurring as the weights. Lifetime ECLs represent the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECLs represent the portion of lifetime ECLs 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, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

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. On derecognition of an investment in a debt instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss which had been recognized in other comprehensive income is recognized in profit or loss. However, on derecognition of an investment in an equity instrument at FVTOCI, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in profit or loss, and the cumulative gain or loss which had been recognized in other comprehensive income is transferred directly to retained earnings, without recycling through profit or loss.

## 2) Equity instruments

Debt and equity instruments issued by a Group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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

The repurchase of the Company's own equity instruments is recognized in and deducted directly from equity. No gain or loss is recognized in profit or loss on the purchase, sale, issuance or cancellation of the Company's own equity instruments.

## 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 brands children's clothing. Sales of children's clothing is recognized as revenue when the goods are shipped 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. For sales of children's clothing through the online platform, revenue is recognized when the goods are delivered to the customer's specific location.

## l. Leasing

### 2019

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

#### 1) The Group as lessor

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Lease payments (less any lease incentives payable) from operating leases are recognized as income on a straight-line basis over the terms of the relevant leases. Initial direct costs incurred in obtaining operating leases are added to the carrying amounts of the underlying assets and recognized as expenses on a straight-line basis over the lease terms.

#### 2) 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.

### 2018

Leases are classified as finance leases whenever the terms of a lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

#### 1) The Group as lessor

Rental income from operating leases is recognized on a straight-line basis over the term of the relevant lease.

#### 2) The Group as lessee

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

## m. Borrowing costs

Borrowing costs directly attributable to an acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

Other than that which is stated above, all other borrowing costs are recognized in profit or loss in the period in which they are incurred.

n. 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 services.

2) Retirement benefits

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

o. Share-based payment arrangements

1) Employee share options

The fair value at the grant date of the employee share options is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in capital surplus - employee share options. It is recognized as an expense in full at the grant date if vested immediately. The grant date of treasury shares transferred to employees is the date on which the board of directors approves the transaction.

2) Restricted shares for employees

The fair value at the grant date of the restricted shares for employees is expensed on a straight-line basis over the vesting period, based on the Group's best estimates of the number of shares or options that are expected to ultimately vest, with a corresponding increase in other equity - unearned employee benefits. It is recognized as an expense in full at the grant date if vested immediately.

When restricted shares for employees are issued, other equity - unearned employee benefits is recognized on the grant date, with a corresponding increase in capital surplus - restricted shares for employees. Dividends paid to employees on restricted shares that do not need to be returned if employees resign in the vesting period are recognized as expenses when the dividends are declared with a corresponding adjustment in retained earnings and capital surplus - restricted shares for employees.

At the end of each reporting period, the Group revises its estimate of the number of restricted shares for employees expected to vest. The impact of the revision of the original estimates is recognized in profit or loss such that the cumulative expenses reflect the revised estimate, with a corresponding adjustment to capital surplus - restricted shares for employees.

p. 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 and interests in joint arrangements, 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, except when they relate to items that are recognized in other comprehensive income or directly in equity; in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

## **5. CRITICAL ACCOUNTING JUDGEMENTS 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 assessing by the management, the application of the Group's accounting policies, estimates and underlying assumptions do not contain significant accounting judgments, estimates and assumptions of uncertainty.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Cash on hand	\$ 16	\$ 70
Demand deposits	1,056,950	3,991,116
Cash equivalents (time deposits with original maturities of less than 3 months)	<u>-</u>	<u>15,653</u>
	<u>\$ 1,056,966</u>	<u>\$ 4,006,839</u>

The market rate intervals of cash in the bank at the end of the reporting period were as follows:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Demand deposits	0.00%-0.35%	0.00%-0.5%
Time deposits	-	3.05%

As of December 31, 2019 and 2018, the amounts of time deposits with original maturity of more than 3 months were \$1,506,750 thousand and \$1,296,880 thousand. The time deposits were classified as financial assets at amortized cost (refer to Note 8).

## 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Financial assets mandatorily classified as at FVTPL		
Derivative financial assets		
Financial product (a)	\$ 865,368	\$ -
Fund benefit certificate (b)	<u>1,520,269</u>	<u>-</u>
	<u>\$ 2,385,637</u>	<u>\$ -</u>

- a. The wealth management products of the Group in a bank are non-guaranteed floating income products in 2019, which are regular open wealth management products. The Group may apply to redeem the wealth management product shares of the previous closed period before the opening day.
- b. The open fund benefit certificate undertaken by the Group in 2019 is based on the fair value of the net asset value at the balance sheet date. The Group can redeem it at any time. According to the fund prospectus, the Group can accept the redemption application at the sales agency on the 7th working day.
- c. The profits from the financial assets at FVTPL for the years ended December 31 of 2019 and 2018 were \$18,581 thousand and \$34 thousand, respectively

## 8. FINANCIAL ASSETS AT AMORTIZED COST

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Current</u>		
Domestic investments		
Time deposits with original maturity of more than 3 months	<u>\$ 1,506,750</u>	<u>\$ 1,296,880</u>
<u>Non-current</u>		
Restricted assets		
Time deposits with original maturity of less than 3 months	<u>\$ 9,010</u>	<u>\$ -</u>

- a. The interest rate for time deposits with original maturity of more than 3 months was 1.55% as at the end of the reporting period.
- b. The annual interest rate of restricted capital bank deposits as long-term loan guarantee is 2.32%, refer to Note 31.
- c. Refer to Note 9 for information relating to their credit risk management and impairment.

## 9. INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Gross carrying amount	\$ 1,515,760	\$ 1,296,880
Less: Allowance for impairment loss	<u>-</u>	<u>-</u>
Amortized cost	<u>\$ 1,515,760</u>	<u>\$ 1,296,880</u>

The credit risk of financial instruments is measured and monitored by finance department. The Group deals only with banks with good credit rating.



## 10. TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 2,569,995	\$ 2,546,510
Less: Allowance for impairment loss	<u>                  -</u>	<u>                  -</u>
	<u>\$ 2,569,995</u>	<u>\$ 2,546,510</u>
<u>Other receivables</u>		
Accrued interest income	\$ 9,775	\$ 466
Other	<u>          15</u>	<u>                  -</u>
	<u>\$ 9,790</u>	<u>\$ 466</u>

### a. Trade receivables

The average credit period of sales of goods was 90 days. No interest was charged on trade receivables.

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, 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 measures the loss allowance for all trade receivables at an amount equal to lifetime expected credit losses. 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, e.g., when the debtor has been placed under liquidation. 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.

As of December 31, 2018 and 2019, the Group did not recognize any impairment loss because there was no trade receivable overdue. The Group did not recognize any expected credit loss for the year ended December 31, 2018 and 2019.

### b. Other receivable

The expected credit losses on other trade receivables are estimated 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.

## 11. INVENTORIES

	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Merchandise	\$ 48,866	\$ 51,970

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2019 and 2018 was \$4,366,958 thousand and \$4,135,772 thousand, respectively. The cost of goods sold included inventory write-downs of \$5,642 thousand and \$6,892 thousand for the years ended December 31, 2019 and 2018.

## 12. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	<u>Proportion of Ownership (%)</u>	
			<u>December 31</u>	
			<u>2019</u>	<u>2018</u>
The Company	TOPBI Children Apparel Co., Limited	Investment	100.00	100.00
TOPBI Children Apparel Co., Limited	Fujian SOD Textile & Industry Goods Corp., Ltd.	Investment	100.00	100.00
TOPBI Children Apparel Co., Limited	TOPBI (China) Fashion Corp., Ltd.	Sales of branded children's clothing	73.42	73.42
Fujian SOD Textile & Industry Goods Corp., Ltd.	TOPBI (China) Fashion Corp., Ltd.	Sales of branded children's clothing	26.58	26.58

All of the above subsidiaries' financial statements have been audited.

In order to simplify the Company's organizational structure and improve management efficiency, on June 24, 2019, the Company's board of directors resolved to close Fujian SOD Textile & Industry Goods Corp., Ltd.'s operations, to handle the cancellation of the transaction, and to transfer its equity interest in TOPBI (China) Fashion Corp., Ltd. to TOPBI Children Apparel Co., Limited.

As of March 30, 2020, none of the above transactions have been completed.

## 13. PROPERTY, PLANT AND EQUIPMENT

	<u>December 31, 2019</u>
Assets used by the Group	\$ 179,090
Assets leased under operating leases	<u>100,003</u>
	<u>\$ 279,093</u>

a. Assets used by the Group - 2019

	Buildings	Equipment	Transportation Equipment	Office Equipment	Total
<u>Cost</u>					
Balance at January 1, 2019	\$ 444,432	\$ 3,042	\$ 18,125	\$ 4,599	\$ 470,198
Adjustments on initial application of IFRS 16	<u>(163,686)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(163,686)</u>
Balance at January 1, 2019 (restated)	280,746	3,042	18,125	4,599	306,512
Additions	-	-	-	23	23
Effects of foreign currency exchange differences	<u>(10,484)</u>	<u>(114)</u>	<u>(677)</u>	<u>(172)</u>	<u>(11,447)</u>
Balance at December 31, 2019	<u>\$ 270,262</u>	<u>\$ 2,928</u>	<u>\$ 17,448</u>	<u>\$ 4,450</u>	<u>\$ 295,088</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2019	\$ 141,371	\$ 2,606	\$ 9,854	\$ 3,835	\$ 157,666
Adjustments on initial application of IFRS 16	<u>(52,067)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(52,067)</u>
Balance at January 1, 2019 (restated)	89,304	2,606	9,854	3,835	105,599
Depreciation expenses	13,267	81	1,432	120	14,900
Effects of foreign currency exchange differences	<u>(3,831)</u>	<u>(101)</u>	<u>(422)</u>	<u>(147)</u>	<u>(4,501)</u>
Balance at December 31, 2019	<u>\$ 98,740</u>	<u>\$ 2,586</u>	<u>\$ 10,864</u>	<u>\$ 3,808</u>	<u>\$ 115,998</u>
Balance at December 31, 2018 and January 1, 2019 (restated)	<u>\$ 191,442</u>	<u>\$ 436</u>	<u>\$ 8,271</u>	<u>\$ 764</u>	<u>\$ 200,913</u>
Carrying amounts at December 31, 2019	<u>\$ 171,522</u>	<u>\$ 342</u>	<u>\$ 6,584</u>	<u>\$ 642</u>	<u>\$ 179,090</u>

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

Buildings	
Main buildings	20 years
Auxiliary buildings	5 years
Equipment	10 years
Transportation equipment	10 years
Office equipment	5 years

b. Assets leased under operating leases -2019

	<b>Buildings</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ -
Adjustments on initial application of IFRS 16	<u>163,686</u>
Balance at January 1, 2019 (restated)	163,686
Effects of foreign currency exchange differences	<u>(6,113)</u>
Carrying amounts at December 31, 2019	<u>\$ 157,573</u>

(Continued)

**Buildings**Accumulated depreciation and impairment

Balance at January 1, 2019	\$ -
Adjustments on initial application of IFRS 16	<u>52,067</u>
Balance at January 1, 2019 (restated)	52,067
Depreciation expenses	7,735
Effects of foreign currency exchange differences	<u>(2,232)</u>
Carrying amounts at December 31, 2019	<u>\$ 57,570</u>
Balance at December 31, 2018 and January 1, 2019 (restated)	<u>\$ 111,619</u>
Balance at December 31, 2019	<u>\$ 100,003</u>
	(Concluded)

The company leases some floors of the building under operating leases for a period of 1 to 6 years. At the end of the lease period, the lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

The maturity analysis of lease payments receivable under operating lease payments was as follows:

	<b>December 31, 2019</b>
Year 1	<u>\$ 17,327</u>

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

Buildings 20 years

c. 2018

	<b>Buildings</b>	<b>Equipment</b>	<b>Transportation Equipment</b>	<b>Office Equipment</b>	<b>Total</b>
<u>Cost</u>					
Balance at January 1, 2018	\$ 453,674	\$ 3,201	\$ 18,502	\$ 4,584	\$ 479,961
Additions	-	-	-	111	111
Disposals	-	(96)	-	-	(96)
Effect of foreign currency exchange differences	<u>(9,242)</u>	<u>(63)</u>	<u>(377)</u>	<u>(96)</u>	<u>(9,778)</u>
Balance at December 31, 2018	<u>\$ 444,432</u>	<u>\$ 3,042</u>	<u>\$ 18,125</u>	<u>\$ 4,599</u>	<u>\$ 470,198</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2018	\$ 122,336	\$ 2,630	\$ 8,598	\$ 3,756	\$ 137,320
Depreciation expenses	21,951	95	1,460	159	23,665
Disposals	-	(66)	-	-	(66)
Effect of foreign currency exchange differences	<u>(2,916)</u>	<u>(53)</u>	<u>(204)</u>	<u>(80)</u>	<u>(3,253)</u>
Balance at December 31, 2018	<u>\$ 141,371</u>	<u>\$ 2,606</u>	<u>\$ 9,854</u>	<u>\$ 3,835</u>	<u>\$ 157,666</u>
Carrying amounts at December 31, 2018	<u>\$ 303,061</u>	<u>\$ 436</u>	<u>\$ 8,271</u>	<u>\$ 764</u>	<u>\$ 312,532</u>

The company leases some floors of the building under operating leases for a period of 1 to 6 years. At the end of the lease period, the lessees do not have bargain purchase options to acquire the assets at the expiry of the lease periods.

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

	<b>December 31, 2018</b>
Not later than 1 year	\$ 18,851
Later than 1 year and not later than 5 years	<u>4,636</u>
	<u>\$ 23,487</u>

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

Buildings	
Main buildings	20 years
Auxiliary buildings	5 years
Equipment	10 years
Transportation equipment	10 years
Office equipment	5 years

#### 14. LEASE ARRANGEMENTS

##### a. Right-of-use assets - 2019

	<b>December 31, 2019</b>
Carrying amounts	
Land	<u>\$ 240,528</u>
	<b>2019</b>
Depreciation charge for right-of-use assets	
Land	<u>\$ 5,999</u>

After the application of IFRS 16, the lease payments in advance for land use rights in China are recognized as right-of-use assets. The company's right-of-use assets did not experience significant additions, dispositions, or impairments in 2019.

Prepaid lease payments, which comprise land use rights, are amortized on a straight-line basis over 43 years.

b. Other lease information

The consolidated company leases its own real estate, plant and equipment under operating leases, please refer to Note 13.

2019

	<b>For the Year Ended December 31, 2019</b>
Expenses relating to short-term leases	<u>\$ 6,408</u>
Total cash outflow for leases	<u>\$ 6,408</u>

The Group chooses to apply the recognition exemption for office and warehouse leases that meet the short-term lease, and does not recognize the relevant right-of-use assets and lease liabilities for these leases.

2018

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

	<b>December 31, 2018</b>
Not later than 1 year	<u>\$ 5,211</u>

**15. OTHER INTANGIBLE ASSETS**

	<b>Computer Software</b>
<u>Cost</u>	
Balance at January 1, 2019	\$ -
Additions	<u>17,508</u>
Balance at December 31, 2019	<u>\$ 17,508</u>
<u>Accumulated amortization and impairment</u>	
Balance at January 1, 2019	\$ -
Amortization expenses	3,210
Impairment losses recognized	<u>14,298</u>
Balance at December 31, 2019	<u>\$ 17,508</u>
Carrying amounts at December 31, 2019	<u>\$ -</u>

The Group assessed that due to the adjustments in sales strategy, the future economic benefits of the originally developed internet platform were limited, so it recognized an impairment loss of 14,298 thousand in 2019. This impairment loss has been included in the impairment loss in the consolidated statement of comprehensive income.

Other intangible assets are amortized on a straight-line basis over their estimated useful lives as follows:

Computer software 5 years

**2019**

An analysis of depreciation by function

General and administrative expenses

\$ 3,210

## 16. PREPAYMENTS FOR LEASES

**December 31,  
2018**

### Land use rights

Current assets (included in prepayment line item)

\$ 5,999

Non-current assets

212,462

\$ 218,461

Except amortization, there was no addition, disposal or impairment in long-term prepayment for leases of the Group for the years ended December 31, 2018.

Prepaid lease payments, which comprise land use rights, are amortized on a straight-line basis over 43 years.

## 17. OTHER ASSETS

**December 31**

**2019**

**2018**

### Current

Prepayments

Prepaid lease payments (Note 16)

\$ -

\$ 5,999

Other prepaid expense

177

184

\$ 177

\$ 6,183

### Non-current

Refundable deposits

\$ 215

\$ 223

Other prepayments

Prepaid expense for network platform

\$ -

\$ 18,033

## 18. BORROWINGS

### a. Short-term borrowings

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Unsecured borrowings</u>		
Line of credit borrowings (a)	\$ -	\$ 92,077
Line of credit borrowings (b)	44,580	-
Loans from related parties (c) (Note 30)	<u>231,524</u>	<u>1,365,002</u>
	<u>\$ 276,104</u>	<u>\$ 1,457,079</u>

- a. The range of weighted average effective interest rates on bank loans was 3.48%-3.52% as of December 31, 2018. The interest rate was calculated by 1M LIBOR+1% on payment day.
- b. The range of weighted average effective interest rates on bank loans was 2.00% as of December 31, 2019. The interest rate was calculated based on the foreign currency lending index interest rate (non-US dollar) + 2% of relative days.
- c. The loans from related parties are obtained by the Group from the investors with significant influence over the Group; the loan contract with related parties was executed by the Group on August 2, 2018. The interest rate is 3.20% for the years ended December 31, 2019 and 2018. If 3M LIBOR+1% exceeds 3.50% in the future, the interest rate can be adjusted anytime. The principal and interest of the borrowings from related parties are paid in lump sum on maturity. However, the loan contract guarantees that the Group may not repay the loan before it obtained other sources of funds and repatriated its Chinese company's retained earnings.
- d. Long-term borrowings

	<b>December 31, 2019</b>
<u>Secured borrowings</u>	
Bank loans	\$ 90,098
Less: Current portions	<u>(45,049)</u>
Long-term borrowings	<u>\$ 45,049</u>

The bank loans is the collateral of the company's deposit certificate (see Note 31). The maturity date of the loan is October 17, 2021, and the average principal is repaid quarterly, as of December 31, 2019. The effective annual interest rate is 3.47%.

## 19. TRADE PAYABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Trade payables	<u>\$ 1,469,359</u>	<u>\$ 1,477,852</u>

The credit period of trade payables was 60-90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.



## 20. OTHER PAYABLES

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Current</u>		
Other payables		
Payables for value-added taxes	\$ 37,893	\$ 41,899
Payables for salaries	35,744	36,501
Payables for advertisement	31,841	30,310
Payables for housing provident fund	17,556	18,237
Payables for other taxes	11,738	12,278
Payables for employees' bonus and directors' compensation	3,014	3,130
Interest Payable	147	217
Other Accrued Expenses	<u>5,421</u>	<u>9,957</u>
	<u>\$ 143,354</u>	<u>\$ 152,529</u>

## 21. RETIREMENT BENEFIT PLANS

### Defined Contribution Plans

The Company's Taiwan office adopted a pension plan under the Labor Pension Act (the "LPA"), which is a state-managed defined contribution plan in the ROC. Under the LPA, an entity makes monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages.

The employees of the Group's subsidiary, TOPBI (China) Fashion Corp., Ltd., in China are members of a state-managed retirement benefit plan operated by the government of China. The Group is required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The total retirement benefit amount recognized in consolidated statements of comprehensive income was \$5,178 thousand and \$5,307 thousand for the years ended December 31, 2019 and 2018, respectively. The Group does not have regulations for retirement.

## 22. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Number of shares authorized (in thousands)	<u>150,000</u>	<u>150,000</u>
Shares authorized	<u>\$ 1,500,000</u>	<u>\$ 1,500,000</u>
Number of shares issued and fully paid (in thousands)	<u>94,955</u>	<u>82,645</u>
Shares issued	<u>\$ 949,553</u>	<u>\$ 826,451</u>

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

	<b>Number of Shares (In Thousands)</b>	<b>Amount</b>
Balance at January 1, 2018	78,710	\$ 787,096
Share dividends	<u>3,935</u>	<u>39,355</u>
Balance at December 31, 2018	<u>82,465</u>	<u>\$ 826,451</u>
Balance at January 1, 2019	82,465	\$ 826,451
Share dividends	<u>12,310</u>	<u>123,102</u>
Balance at December 31, 2019	<u>94,955</u>	<u>\$ 949,553</u>

b. Capital surplus

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
May be used to offset a deficit, distributed as cash dividends, or <u>transferred to share capital</u>		
Share premium	<u>\$ 1,517,887</u>	<u>\$ 1,517,887</u>
<u>May only be used to offset a deficit</u>		
Treasury shares trading	<u>\$ 2,135</u>	<u>\$ -</u>

The reconciliation of capital surplus for the years ended December 31, 2019 and 2018 is shown below:

	<b>Share Premium</b>	<b>Employees' Restricted Shares</b>	<b>Shares Transferred to Employees</b>	<b>Treasury Shares Trading</b>	<b>Total</b>
Balance at January 1, 2018	\$ 1,398,377	\$ 119,510	\$ -	\$ -	\$ 1,517,887
Employees' restricted shares - achieved vesting conditions	<u>119,510</u>	<u>(119,510)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at December 31, 2018	<u>\$ 1,517,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,517,887</u>
Balance at January 1, 2019	\$ 1,517,887	\$ -	\$ -	\$ -	\$ 1,517,887
Treasury shares transferred to employee	-	-	2,135	-	2,135
Employee share options	<u>-</u>	<u>-</u>	<u>(2,135)</u>	<u>2,135</u>	<u>-</u>
Balance at December 31, 2019	<u>\$ 1,517,887</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,135</u>	<u>\$ 1,520,022</u>

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

c. Retained earnings and dividends policy

Under the dividends policy as set forth in the amended Articles, as the Company continues to grow and undertakes capital expenditure projects and business expansion, and for a sound financial planning for sustainable development, the Company may distribute dividends to shareholders in the form of cash and/or shares. Shares may be distributed in lieu of the cash amount of any dividend according to the Company's future expenditure budgets and funding needs.

Subject to the Law, and unless otherwise provided in the Applicable Listing Rules, the net profits of the Company for each annual financial 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 (a) to (d) 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 twenty percent (20%) 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 23(c).

Appropriation of earnings to a legal reserve shall be made until the legal reserve equals the Company's paid-in capital. 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.

Items referred to under Rule No. 1010012865 issued by the FSC and in the directive titled "Questions and Answers for Special Reserves Appropriated Following Adoption of IFRSs" should be appropriated to or reversed from a special reserve by the Company.

The appropriations of earnings for 2018 and 2017 approved in the shareholders' meetings on June 14, 2019 and June 21, 2018, respectively, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividends Per Share (NT\$)</b>	
	<b>For the Year Ended</b>		<b>For the Year Ended</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Legal reserve	\$ 95,363	\$ 91,292		
Special reserve	95,633	34,768		
Cash dividends	258,514	380,167	\$ 3.15	\$ 4.83
Share dividends	123,102	39,355	1.50	0.50

Proposal for a new share issue through capitalization of earnings for 2018 and 2017 had been approved by the Company's board of directors and the ex-dividend date was on December 4, 2019 and December 3, 2018, respectively.

As the company bought back Treasury shares in 2019 and transferred 577 shares to employees, the number of outstanding shares increased to 82,645 shares. Therefore, the cash dividends and share dividends for the year 2018 were adjusted from \$3.15 and \$1.50 to \$3.128007766 and \$1.489527507, respectively.

d. Special reserves

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Beginning at January 1	\$ 226,909	\$ 192,141
Appropriations in respect of debits to other equity items	<u>95,633</u>	<u>34,768</u>
Balance at December 31	<u>\$ 322,542</u>	<u>\$ 226,909</u>

e. Other equity items

1) Exchange differences on translating the financial statements of foreign operations

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Balance at January 1	\$ (322,541)	\$ (226,909)
Exchange differences on translation to the presentation currency	<u>(213,642)</u>	<u>(95,632)</u>
Balance at December 31	<u>\$ (536,183)</u>	<u>\$ (322,541)</u>

2) Unearned employee benefits

The issue date of the employees' restricted shares had been proposed by the Company's board on August 9, 2017 (see Note 27).

	<b>For the Year Ended December 31, 2018</b>
Balance at January 1	\$ (22,261)
Issue of employee restricted shares	-
Compensation cost of employees' restricted shares	<u>22,261</u>
Balance at December 31	<u>\$ -</u>

f. Treasury shares

<b>Purpose of Buy-back</b>	<b>Shares Transferred to Employees (In Thousands of Shares)</b>
Number of shares at January 1, 2019	419
Increase during the year	158
Decrease during the year	<u>(577)</u>
Number of shares at December 31, 2019	<u><u>-</u></u>

On November 9, 2018, the board of directors of the Company decided to repurchase 1,100 thousand shares of treasury shares from the stock exchange market to transfer the shares to employees. The repurchase price was between NT\$64.5 and NT\$143 per share and the repurchase date was between November 12, 2018 and January 11, 2019. As of December 31, 2018, the Company repurchased 577 thousand shares of treasury shares at cost of \$48,059 thousand.

Under the Securities and Exchange Act, the Company shall neither pledge treasury shares nor exercise shareholders' rights on these shares, such as the rights to dividends and to vote.

On August 6, 2019, the Company's board of directors resolved to allocate the a total of 577 treasury shares purchased from November 12, 2018 to January 11, 2019 to employees for subscription at NT\$83.29. The employee's share subscription base date is October 30, 2019. The value of the subscription rights per share calculated based on the Black-Scholes evaluation model is NT\$3.7, and the recognized compensation cost is NT\$2,135 thousand. The parameters used in the evaluation model are as follows:

Daily share price (adjusted market price)	NT\$83.90
Exercise price	NT\$83.90
Expected volatility	20.37%
Expected duration	0.2411
Expected dividend	0%
Risk-free interest rate	0.643%

### 23. REVENUE

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 7,169,864</u>	<u>\$ 6,764,779</u>

- a. The amount of contract balance of the Group included in trade receivable was \$2,569,995 thousand and \$2,546,510 as of December 31, 2018 and 2019 (see Note 10).

b. Disaggregation of revenue.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Primary geographical markets</u>		
China	<u>\$ 7,169,864</u>	<u>\$ 6,764,779</u>
<u>Major goods</u>		
Infant clothing	\$ 1,486,869	\$ 1,329,806
Other children's clothing	<u>5,682,995</u>	<u>5,434,973</u>
	<u>\$ 7,169,864</u>	<u>\$ 6,764,779</u>
<u>Timing of revenue recognition</u>		
Satisfied at shipping point	\$ 7,169,864	\$ 6,764,400
Satisfied at customer specified point	<u>-</u>	<u>379</u>
	<u>\$ 7,169,864</u>	<u>\$ 6,764,779</u>

**24. NET PROFIT**

Net profit was derived after the following:

a. Depreciation and amortization

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Property, plant and equipment	\$ 28,634	\$ 23,665
Right-of-use assets	3,210	-
Long-term prepayment for lease	<u>-</u>	<u>6,117</u>
	<u>\$ 31,844</u>	<u>\$ 29,782</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 28,634</u>	<u>\$ 23,665</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 3,210</u>	<u>\$ 6,117</u>

b. Employees' benefits expense

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term benefits	\$ 144,642	\$ 144,478
Post-employment benefits		
Defined contribution plans (Note 21)	5,178	5,307
Other employees' benefits	3,130	3,192
Share-based payments		
Equity-settled	<u>2,131</u>	<u>22,261</u>
	<u>\$ 155,081</u>	<u>\$ 175,238</u>

An analysis of employees' benefits expense by function

Operating expenses	<u>\$ 155,081</u>	<u>\$ 175,238</u>
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c. Employees' compensation and remuneration of directors and supervisors

The Company accrued employees' compensation and remuneration of directors and supervisors at rates of no less than 2% and no higher than 10%, respectively, of net profit before income tax, employees' compensation, and remuneration of directors and supervisors. The employees' compensation and the remuneration of directors and supervisors for the years ended December 31, 2019 and 2018, which were approved by the Company's board of directors on March 30, 2020 and March 25, 2019, respectively, are as follows:

Amount

	<b>2019</b>	<b>2018</b>
Employees' compensation	\$ -	\$ -
Remuneration of directors and supervisors	3,130	3,192

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

There is 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.

## 25. INCOME TAXES

### a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax		
In respect of the current period	\$ 378,944	\$ 384,608
Adjustments for prior periods	<u>(14)</u>	<u>5,097</u>
	378,930	389,705
Deferred tax		
In respect of the current period	<u>42,875</u>	<u>(19,477)</u>
	<u>\$ 421,805</u>	<u>\$ 370,228</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Profit before tax	<u>\$ 1,556,624</u>	<u>\$ 1,323,854</u>
Income tax expense calculated at the statutory rate	\$ 419,589	\$ 364,963
Permanent difference	2,230	168
Adjustments for prior years' tax	<u>(14)</u>	<u>5,097</u>
Income tax expense recognized in profit or loss	<u>\$ 421,805</u>	<u>\$ 370,228</u>

The applicable tax rate used by subsidiaries in China is 25%.

### b. Current tax liabilities

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Current tax liabilities		
Income tax payable	<u>\$ 133,881</u>	<u>\$ 125,740</u>



c. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Accrued expenses	\$ <u>46,031</u>	\$ <u>(38,854)</u>	\$ <u>(268)</u>	\$ <u>6,909</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 300,722	\$ -	\$ (11,230)	\$ 289,492
Others	<u>116</u>	<u>4,021</u>	<u>(153)</u>	<u>3,984</u>
	<u>\$ 300,838</u>	<u>\$ 4,021</u>	<u>\$ (11,383)</u>	<u>\$ 293,476</u>

For the year ended December 31, 2018

	<b>Opening Balance</b>	<b>Recognized in Profit or Loss</b>	<b>Exchange Differences</b>	<b>Closing Balance</b>
<u>Deferred tax assets</u>				
Temporary differences				
Accrued expenses	\$ <u>27,645</u>	\$ <u>19,322</u>	\$ <u>(936)</u>	\$ <u>46,031</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 306,976	\$ -	\$ (6,254)	\$ 300,722
Others	<u>274</u>	<u>(155)</u>	<u>(3)</u>	<u>116</u>
	<u>\$ 307,250</u>	<u>\$ (155)</u>	<u>\$ (6,257)</u>	<u>\$ 300,838</u>

d. Income tax assessments

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

**26. EARNINGS PER SHARE**

Unit: NT\$ Per Share

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Basic earnings per share	<u>\$ 12.01</u>	<u>\$ 10.06</u>

The weighted average number of shares outstanding for the year ended December 31, 2018 used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on December 4, 2019. The basic earnings per share adjusted retrospectively for the year ended December 31, 2018 was as follows:

Unit: NT\$ Per Share

	<b>Before Retrospective Adjustment 2018</b>	<b>After Retrospective Adjustment 2018</b>
Basic earnings per share	<u>\$ 11.56</u>	<u>\$ 10.06</u>

The earnings and the weighted average number of shares outstanding used for the earnings per share computation were as follows:

**Net Profit for the Year**

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Earnings used in the computation of basic earnings per share	<u>\$ 1,134,819</u>	<u>\$ 953,626</u>

The weighted average number of ordinary shares outstanding (in thousands of shares) was as follows:

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	<u>\$ 94,458</u>	<u>\$ 94,764</u>

If the Group offered to settle the compensation or bonuses paid to employees in cash or shares, the Group assumed that the entire amount of the compensation or bonuses will be settled in shares, and the resulting potential shares were included in the weighted average number of shares outstanding used in the computation of diluted earnings per share, as the effect is dilutive. Such dilutive effect of the potential shares is included in the computation of diluted earnings per share until the number of shares to be distributed to employees is resolved in the following year.

**27. RESTRICTED SHARE PLAN FOR EMPLOYEES**

In the shareholders' meeting on June 22, 2017, the shareholders approved a restricted share plan for employees as issuance of bonus shares with a total amount of \$14,060 thousand, consisting of 1,406 thousand shares. The shares will be issued to the employees of Company (including domestic and foreign subsidiaries) who meet the specific conditions. As approved by the Financial Supervisory Commission on July 17, 2017, the board of directors issued the shares on August 9, 2017 at fair value of NT\$95 per share and the record date for capital increase was August 18, 2017. The restricted shares for employees were all vested.

For the summary of the changes in accounting items related to the abovementioned restricted shares for employees for the year ended December 31, 2018, please see Note 22.b. - capital surplus and Note 22.e. - unearned employee benefits.

## 28. CAPITAL MANAGEMENT

The Group manages its capital in a manner to ensure that it has sufficient and necessary financial resources to fund its working capital needs, capital asset purchases, dividend payments, existing debt redeemed and other business requirements associated with its existing operations for the next 12 months.

Key management personnel of the Group review the capital structure (including borrowing and equity) on a periodic 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.

## 29. 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. Fair value of financial instruments measured at fair value on a recurring basis

#### 1) Fair value hierarchy

December 31, 2019

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Financial product	\$ -	\$ -	\$ 865,368	\$ 865,368
Fund's beneficial certificates	<u>1,520,269</u>	<u>-</u>	<u>-</u>	<u>1,520,269</u>
	<u>\$ 1,520,269</u>	<u>\$ -</u>	<u>\$ 865,368</u>	<u>\$ 2,385,637</u>

#### 2) Valuation techniques and inputs applied for Level 3 fair value measurement

The fair values of financial products were determined using the evaluation approach when there is no market value available. In this approach, the fair value was calculated based on the expected yield in the contract.

### c. Categories of financial instruments

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Financial assets</u>		
Mandatorily classified as at FVTPL	\$ 2,385,637	\$ -
Financial assets at amortized cost (1)	5,152,726	7,850,918
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (2)	1,982,034	3,102,965

- 1) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, trade receivable and other receivables, and refundable deposits.
  - 2) The balances include financial liabilities at amortized cost, which comprise short-term loans, trade and other payables, other payables to related parties, long-term loans expired within one year, long-term loans, and guarantee deposits. Those reclassified to held-for-sale disposal groups are also included.
- d. Financial risk management objectives and policies

The objectives of financial risk management include market risk (including foreign currency risk and interest risk), credit risk and liquidity risk. The Group seeks to minimize the effects of these risks by using derivative financial instruments to hedge risk exposures.

The use of financial derivatives is governed by the Group's policies approved by the board of directors. During the execution of the financial plan, the Group must comply with the relevant financial operating procedures for the compilation of financial risk management and the division of authority and responsibility.

1) Market risk

The Group's activities exposed it primarily to the financial risk of change in foreign currency exchange rate (see (a) below) and interest rates (see (b) below).

a) Foreign currency risk

No exchange rate changes occur from sales and purchases because the sales and purchases of the Group are mainly denominated in its functional currency - RMB. The Group's exchange rate risk mainly comes from foreign currency deposits, borrowings, dividends payable and some operating expenses which are denominated in currencies other than RMB.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities (including those eliminated on consolidation) at the end of the reporting period are set out in Note 33.

Sensitivity analysis

The Group was mainly exposed to the U.S. dollar (USD) and NTD.

The following table details the Group's sensitivity to a 5% increase and decrease in RMB (i.e. the functional currency) against the relevant foreign currencies. The sensitivity analysis included only outstanding foreign currency denominated monetary items, and adjusted the translation at the end of the reporting period for a 5% change in foreign currency rates. A positive number below indicates an increase in pre-tax profit and other equity associated with the RMB strengthening 5% against the relevant currency. For a 5% weakening of the RMB against the relevant currency, there would be an equal and opposite impact on pre-tax profit, and the balances below would be negative.

	USD		NTD	
	For the Year Ended December 31		For the Year Ended December 31	
	2019	2018	2019	2018
Pre-tax profit or loss	\$ 15,792	\$ 73,679	\$ 4	\$ 21

b) Interest rate risk

Interest rate risk refers to the risk of changes in the fair value of financial instruments as a result of changes in market interest rates.

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:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Fair value interest rate risk		
Financial assets	\$ 1,056,950	\$ 3,991,116
Financial liabilities	366,202	1,457,079
Cash flow interest rate risk		
Financial assets	1,515,760	1,312,533

Sensitivity analysis

The sensitivity analysis below was 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 each liability outstanding at the end of the reporting period was outstanding for the whole year.

If interest rates had been 1% higher/lower and all other variables were held constant, the Group's pre-tax profit for the years ended December 31, 2019 and 2018 would have increased/decreased by \$6,907 thousand and \$25,340 thousand, respectively.

c) Other price risk

The Group was exposed to equity price risk through its investments in financial product and fund's beneficial certificates.

Sensitivity analysis

The sensitivity analysis below was determined based on the exposure to equity price risks at the end of the year.

If equity prices had been 1% higher/lower, pre-tax profit for the years ended December 31, 2019 would have increased/decreased by \$23,856 thousand as a result of the changes in fair value of financial assets at FVTPL.

2) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group. The Group is exposed to credit risk from operating activities, primarily on trade receivables and bank deposits. Credit risk is managed separately for business - and finance - related exposures.

Business-related credit risk

To maintain the quality of its accounts receivable, the Group has established management procedures for dealing with credit risks.

Individual customers are assessed for their payment capability, which entails evaluating their financial status, performing an aging analysis of related accounts receivable, reviewing historical transactions, etc. In special cases involving individual customers, the Group may enhance its protection against credit risk by requiring advance payment.

The credit risk by geographic location of the Group is mainly concentrated in China which accounts for 100% of the total accounts receivable as of December 31, 2019 and 2018. However, the accounts receivable did not significantly focus on the individual customers. Based on previous experience, the credit status of the customers is good and the credit risk is relatively insignificant.

#### Financial credit risk

The credit risk from bank deposits and other financial instruments is measured and supervised by the finance department of the Group. The counterparties of the Group are banks with good credit rankings, which have no contract performance risk. Thus, the credit risk is insignificant.

### 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.

The maturity dates of current liabilities are within one year and there is no financial liability that is required to be settled immediately. The maturity of the short-term loan contract is plotted on the following table; the amount is aggregated by the agreed repayment time (without interest). Non-current financial liabilities are deposits received to be settled on the expiration date of the operating lease contract. Please refer to Note 14 for related information.

#### December 31, 2019

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ 2,616	\$ 2,616	\$ 315,921	\$ 45,049	\$ 366,202

#### December 31, 2018

	<b>On Demand or Less than 1 Month</b>	<b>1-3 Months</b>	<b>3 Months to 1 Year</b>	<b>1-5 Years</b>	<b>Total</b>
<u>Non-derivative financial liabilities</u>					
Variable interest rate liabilities	\$ -	\$ -	\$ 1,457,079	\$ -	\$ 1,457,079

The amounts included above for variable interest rate instruments for both non-derivative financial assets and liabilities is subject to change if change in variable interest rates differ from those estimates of interest rates determined at the end of the reporting period.

### 30. 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.

a. Related party name and category

<u>Related Party Name</u>	<u>Related Party Category</u>
Taiwan Toprich International Ltd.	Associate owned by the same director
Fujian Eastdragon Group Corp. Ltd	Associate owned by the same director
Fuzhou Spring Investment Corp., Ltd	Associate owned by the same director
Jiangsu Caimaoke Industry & Trade Chenggufen Limited Company	Associate owned by the same director
Topwealth International Holdings Limited	Investors with significant influence over the Group

Topwealth International Holdings Limited, owned by the Company's director, Xun Cai Zhou, held the Company's shares.

b. Lease arrangements - Group is lessee

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2019</u>	<u>2018</u>
<u>Rental and property management expenses</u>		
Associate owned by the same director		
Taiwan Toprich International Ltd.	\$ 640	\$ 790
Fuzhou Spring Investment Corp., Ltd	3,823	3,544
Jiangsu Caimaoke Industry & Trade Chenggufen Limited Company	<u>1,595</u>	<u>-</u>
	<u>\$ 6,058</u>	<u>\$ 4,334</u>

Future lease payment payables are as follows:

<u>Related Party Category/Name</u>	<u>December 31</u>	
	<u>2019</u>	<u>2018</u>
Associate owned by the same director		
Fuzhou Spring Investment Corp., Ltd	\$ 3,864	\$ 4,014
Jiangsu Caimaoke Industry & Trade Chenggufen Limited Company	1,152	1,197
Taiwan Toprich International Ltd.	<u>635</u>	<u>-</u>
	<u>\$ 5,651</u>	<u>\$ 5,211</u>

c. Lease arrangements - Group is lessor

Rental income was as follows:

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associate owned by the same director Fujian Eastdragon Group Corp. Ltd	<u>\$ 21,996</u>	<u>\$ 18,795</u>

Future lease payment receivables are as follows:

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associate owned by the same director Fujian Eastdragon Group Corp. Ltd	<u>\$ 3,809</u>	<u>\$ 3,380</u>

d. Other income - property management income

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associate owned by the same director Fujian Eastdragon Group Corp. Ltd	<u>\$ 437</u>	<u>\$ 445</u>

The Group not only leases office to related parties but also leases office from related parties. Leasing price is calculated at local level. The lease payments were paid and collected quarterly or yearly.

e. Other income - others

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Associate owned by the same director Topwealth International Holdings Limited	<u>\$ 75</u>	<u>\$ -</u>

f. Payables to related parties (excluding loans from related parties)

<b>Line Item</b>	<b>Related Party Category/Name</b>	<b>December 31</b>	
		<b>2019</b>	<b>2018</b>
Other payable - related parties	Associate owned by the same director Topwealth International Holdings Limited	<u>\$ 354</u>	<u>\$ 12,633</u>

The outstanding trade payables to related parties are unsecured. Other payable - related parties included interest payable for loans from related parties.

g. Refundable deposits

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associate owned by the same director Fuzhou Spring Investment Corp., Ltd	<u>\$ 215</u>	<u>\$ 223</u>



h. Guarantee deposits received

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Associate owned by the same director Fujian Eastdragon Group Corp. Ltd	<u>\$ 431</u>	<u>\$ 447</u>

i. Loans from related parties

<b>Related Party Category/Name</b>	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Short-term borrowings</u>		
Investors with significant influence over the Group Topwealth International Holdings Limited	<u>\$ 231,524</u>	<u>\$ 1,365,002</u>

<b>Related Party Category/Name</b>	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
<u>Interest expense</u>		
Investors with significant influence over the Group Topwealth International Holdings Limited	<u>\$ 34,523</u>	<u>\$ 26,286</u>

The Group obtained loans from related parties at rates comparable to market interest rates (see Note 18). The loans from related parties were unsecured.

j. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Short-term employee benefits	\$ 35,519	\$ 41,187
Post-employment benefits	386	394
Other employee benefits	3,120	3,192
Share-based payments	<u>1,872</u>	<u>13,316</u>
	<u>\$ 40,907</u>	<u>\$ 58,089</u>

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

### 31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

The following assets were provided as collateral for bank borrowings. Their carrying amounts are as follow:

	<b>December 31</b>	
	<b>2019</b>	<b>2018</b>
Pledged deposits (classified as financial assets at amortized cost)	<u>\$ 9,010</u>	<u>\$ -</u>

### 32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The outbreak of 2019 novel coronavirus in January 2020 caused the temporarily suspended operation of the factories located in Wuhan City, Hubei Province, and other severely affected areas in mainland China. Some agents of the Group are mainly located in severely affected areas. The impact of the outbreak on the operations is significant. Due to inability to assess the disease control situation as of the date the consolidated financial report was authorized for issue, the Group will continue to estimate the customers' payment ability as well as the extent of the impact on the operation and the entire industry.

### 33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

The Group entities' 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

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 585	6.9762 (USD:RMB)	\$ 17,555
NTD	815	0.2323 (NTD:RMB)	815
<u>Financial liabilities</u>			
Monetary items			
USD	10,708	6.9762 (USD:RMB)	321,603
EUR	1,340	7.8155 (EUR:RMB)	45,100
NTD	897	0.2323 (NTD:RMB)	897

#### December 31, 2018

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 808	6.6832 (USD:RMB)	\$ 24,789
NTD	303	0.2236 (NTD:RMB)	303
<u>Financial liabilities</u>			
Monetary items			
USD	\$ 47,893	6.6832 (USD:RMB)	\$ 1,469,929
NTD	715	0.2236 (NTD:RMB)	715

The significant realized and unrealized foreign exchange gains (losses) were as follows:

Foreign Currencies	For the Year Ended December 31			
	2019		2018	
	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
USD	6.8960 (USD:RMB)	\$ (33,267)	6.6118 (USD:RMB)	\$ (61,175)
NTD	0.2236 (NTD:RMB)	(11,153)	0.2193 (NTD:RMB)	(10)
EUR	7.2688 (EUR:RMB)	<u>(339)</u>	7.8016 (EUR:RMB)	<u>-</u>
		<u>\$ (44,759)</u>		<u>\$ (61,185)</u>

### 34. 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 investments in subsidiaries, associates and joint ventures): (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: (Table 3)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal 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 4)
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions (Table 5)
- 11) Information on investees (Table 6)

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 7)

- 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: None
  - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None
  - c) The amount of property transactions and the amount of the resultant gains or losses: None
  - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None
  - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: (Table 1)
  - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None

### 35. SEGMENT INFORMATION

In addition to TOPBI (China) Fashion Corp., Ltd. the other subsidiary company of the Group is a holding company for investment. TOPBI (China) Fashion Corp., Ltd. is mainly engaged in the sales of branded children's clothing and it is the main source of profit of the Company. The measurement of the departmental information which is used by the operating decision maker for review is the same as measurement basis of the financial statements. Therefore, the reported financial information of the operating department of 2019 and 2018 can refer to the consolidated financial income of the year of 2019 and 2018. The overall information about the Company is disclosed as follows:

a. Revenue from major products

The following is an analysis of the Group's revenue from continuing operations from its major products and services.

	<b>For the Year Ended December 31</b>	
	<b>2019</b>	<b>2018</b>
Infant clothing	\$ 1,486,869	\$ 1,329,806
Other children's clothing	<u>5,682,995</u>	<u>5,434,973</u>
	<u>\$ 7,169,864</u>	<u>\$ 6,764,779</u>

b. Geographical information

The Group operates mainly in China.

c. Information about major customers

No single customers contributed 10% or more to the Group's revenue for both 2019 and 2018.

## TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

No. (Note A)	Lender	Borrower	Financial Statement Account	Related Party	Highest Balance for the Period (Note D)	Ending Balance (Note E)	Actual Borrowing Amount	Interest Rate (%)	Nature of Financing (Note B)	Business Transaction Amount	Reasons for Short-term Financing	Allowance for Impairment Loss	Collateral		Financing Limit for Each Borrower	Aggregate Financing Limit	Note
													Item	Value			
1	TOPBI (China) Fashion Corp., Ltd.	The Company	-	Yes	\$ 645,750 (RMB 150,000)	\$ 645,750 (RMB 150,000)	\$ 604,814 (RMB 140,491)	3.2	2	\$ -	Operational capital allocation	\$ -	-	\$ -	\$ 5,669,241	\$ 5,669,241	Note C
2	TOPBI (China) Fashion Corp., Ltd.	TOPBI Children Apparel Co., Limited (HK)	-	Yes	861,000 (RMB 200,000)	861,000 (RMB 200,000)	756,635 (RMB 175,757)	3.2	2	-	Operational capital allocation	-	-	-	5,669,241	5,669,241	Note C

Note A: The intercompany transactions between the companies are identified and numbered as follows:

1. Parent company: 0
2. Subsidiaries start from 1 consecutively.

Note B: The types of transactions between related parties are as follows:

1. Business contacts.
2. Short-term financing.

Note C: According to the lending policies of TOPBI (China) Fashion Corp. Ltd., the aggregate amount of loan to other companies shall not exceed forty percent (40%) of TOPBI (China) Fashion Corp. Ltd. The total amount of providing a loan to a company shall not exceed ten percent (10%) of the net worth of TOPBI (China) Fashion Corp. Ltd. Between subsidiaries whose voting shares are 100% owned, directly or indirectly, by TOPBI International Holdings Ltd. or subsidiaries whose voting shares are 100% owned, directly or indirectly, by TOPBI International Holdings Ltd., short-term financing loans necessary for funding will not be subject to the restriction set forth in the above paragraph of this article. Their borrowing amount shall not exceed the net worth of the Company.

Note D: The amount of NTD in the above table is converted according to the exchange rate at the end of the period.

Note E: In March 25, 2019, the board of directors approved the loan quota among TOPBI (China) Fashion Corp., Ltd., TOPBI International Holdings Ltd. and TOPBI Children Apparel Co., Limited (HK) and approved the loan in installments or revolve within one year. The quota is RMB150,000 thousand and RMB200,000 thousand, respectively.

## TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

## MARKETABLE SECURITIES HELD

DECEMBER 31, 2019

(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Holding Company Name	Type and Name of Marketable Securities	Relationship with the Holding Company	Financial Statement Account	December 31, 2019				Note
				Number of Shares	Carrying Amount	Percentage of Ownership (%)	Fair Value	
TOPBI (China) Fashion Corp., Ltd.	Bond Securities Investment Fund of Medium and Short Term Bonds of CIB (China Industrial Bank Co., Ltd.)	-	Financial assets at amortized cost - current	337,674,867.34	\$ 1,520,269 (RMB 353,140)	-	\$ 1,520,269 (RMB 353,140)	A
	Green-bamboo-public-share Series Financial Products of Special Asset Management of CMBC (China Minsheng Banking Corp., Ltd.)	-	Financial assets at amortized cost - current	-	868,368 (RMB 201,015)	-	868,368 (RMB 201,015)	A

Note A: The fair value is converted based on the exchange rate of the New Taiwan dollar at the end of the period.

TABLE 3

## TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES 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)

Company Name	Type and Name of Marketable Securities	Financial Statement Account	Counterparty	Relationship	Beginning Balance		Acquisition		Disposal				Ending Balance	
					Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount	Carrying Amount	Gain (Loss) on Disposal	Shares	Amount
TOPBI (China) Fashion Corp., Ltd.	Bond Securities Investment Fund of Medium and Short Term Bonds of CIB (China Industrial Bank Co., Ltd.)	Financial assets at amortized cost - current	-	-	-	\$ -	337,674,867.34	\$ 1,506,750 (RMB 350,000)	-	\$ -	\$ -	\$ -	337,674,867.34	\$ 1,506,750 (RMB 350,000)
	Green-bamboo-public-share Series Financial Products of Special Asset Management of CMBC (China Minsheng Banking Corp., Ltd.)	Financial assets at amortized cost - current	-	-	-	-	-	861,000 (RMB 200,000)	-	-	-	-	-	861,000 (RMB 200,000)

Note A: Marketable securities are expressed at the original investment cost and converted at the exchange rate of the New Taiwan dollar.

## TOPBI INTERNATIONAL HOLDINGS LIMITED 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	Ending Balance (Note A)	Turnover Rate	Overdue		Amount Received in Subsequent Period	Allowance for Impairment Loss
					Amount	Actions Taken		
TOPBI (China) Fashion Corp., Ltd.	The Company	Ultimate parent company	\$ 611,902	-	\$ -	-	\$ -	-
	TOPBI Children Apparel Co., Limited (HK)	Parent company	760,451	-	-	-	-	-

Note A: The amount is a lending fund between the parent company and its subsidiaries.

Note B: The transactions above have been eliminated upon consolidation.



**TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES**

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

No.	Investee Company	Counterparty	Relationship	Transaction Details			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	The Company	TOPBI Children Apparel Co., Limited (HK)	A	Payables to related parties	\$ 852	Advance payment	-
1	TOPBI (China) Fashion Corp., Ltd.	The Company	B	Receivables from related parties	611,902	Loan	-
			B	Receivables from related parties	1,088	Advance payment	-
			B	Interest Revenue	7,363	Loan interest	
		TOPBI Children Apparel Co., Limited (HK)	C	Payables to related parties	760,451	Loan	
			C	Payables to related parties	2	Advance payment	
			C	Interest Revenue	3,963	Loan interest	

Note A: The intercompany transactions between the companies are identified and numbered as follows:

1. Parent company: 0
2. Subsidiaries start from 1 consecutively.

Note B: The types of transactions between related - parties are as follow:

1. From parent company to subsidiary.
2. From subsidiary to parent company.
3. Between subsidiaries.

Note C: The percentage to total asset or sales is the ratio of ending balance to consolidated asset or to consolidated revenue.

Note D: The transactions above have been eliminated upon consolidation.

## TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES  
 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		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	TOPBI Children Apparel Co., Limited (HK)	Hong Kong	Investment	\$ 1,371,784	\$ 1,371,784	174,227,460	100.00	\$ 6,634,857	\$ 1,212,432	\$ 1,212,432	

Note A: The original investment amount of current and previous period were both RMB318,649 thousand. The amount of NTD was calculated based on exchange rates at the end of the reporting period.

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

Note C: For investments in mainland China, refer to Table 7.

## TOPBI INTERNATIONAL HOLDINGS LIMITED 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	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 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)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
TOPBI (China) Fashion Corp., Ltd.	Sales of branded children's clothing	\$ 774,900	Investment through TOPBI Children Apparel Co., Limited and Fujian SOD Textile & Industry Goods Corp., Ltd.	\$ -	\$ -	\$ -	\$ -	\$ 1,256,553	100.00	\$ 1,256,553	\$ 7,683,150	\$ -	B
Fujian SOD Textile & Industry Goods Corp., Ltd.	Investment	206,554	Investment through Fujian SOD Textile & Industry Goods Corp., Ltd.	-	-	-	-	333,992	100.00	333,992	2,042,181	-	C

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	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 A: The amount of information on investments in mainland China is according to financial statements which have been audited by the Company's auditors.

Note B: It is the count of the current equity in loss (gain) of affiliates and the book value of equity in loss (gain) of affiliates of year ended attributable to the TOPBI Children Apparel Co., Limited (HK) and the SOD Textile & Industry Goods Corp. Ltd.

Note C: It includes the current equity in loss (gain) of affiliates and the equity in book value of affiliates for 2018 of TOPBI (China) Fashion Corp., Ltd. which were recognized by SOD Textile & Industry Goods Corp. Ltd.

Note D: The amounts of the paid-in capital of TOPBI (China) Fashion Corp., Ltd. and SOD Textile & Industry Goods Corp. Ltd. were RMB180,000 thousand and RMB47,980 thousand, respectively. The amount of NTD was calculated based on exchange rates at the end of the reporting period.

Note E: Net income of investees and investments accounted for using the equity method between the Company and its subsidiaries have been eliminated on consolidation.

**淘帝國際控股有限公司**  
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