

**topbi 淘帝**

股票代碼：2929

# 2018 年報

淘帝國際控股有限公司

TOPBI INTERNATIONAL HOLDINGS LIMITED



## Notice to readers

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

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>

刊印日起：2019年5月8日

**1. Name, title, contact phone number and email address of speaker and representative speaker:**

Speaker

Name : Wang Kuan-Hua

Title : Chief financial officer

Tel : (02)2793-8077

Email : martin.wang@topbi.cn

Representative speaker

Name : Chen Chien Wei

Title : Audit Supervisor

Tel : (02)2793-8077

Email : david.chen@topbi.cn

**2. Name, title, contact phone number and email address of designated litigation and non-litigation agent in the Republic of China:**

Name : Wang Kuan-Hua

Title : Chief financial officer

Tel : (02)2793-8077

Email : martin.wang@topbi.cn

**3. Address and contact phone number of headquarter, representative office and factory:**

**Headquarter:** Vistra (Cayman) Limited, P.O. Box 31119 Grand Pavilion, Hibiscus Way, 802  
West Bay Road, Grand Cayman, KYI-1205 Cayman Islands

Tel: (86)591-8381-2057

Representative office: No.97, 2<sup>nd</sup> Floor, Xinhua 1<sup>st</sup> Road, Neihu District, Taipei City, Taiwan.

Tel: (02)2793-8077

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

30 April 2019

Title	Name	Nationality	Main experiences
Chairman	ZHOU XUN CAI	Hong Kong	Chairman of TOPBI International Holdings Limited
Director	WANG KUAN- HUA	Taiwanese	Chief Financial Officer of TOPBI International Holdings Limited
Director	NI RUIYING	Chinese	Chief Financial Officer of TOPBI (China) Fashion Corporation Limited
Director	CHEN HSIAO- HUNG	Taiwanese	Financial Manager of Taiwan Sino Promise Limited
Independent Director	HUANG YI- TSUNG	Taiwanese	Ministry of Public of Taiwan Stock Exchange Corporation
Independent Director	TSAI CHIA- HUNG	Taiwanese	Chairman of Minggu investment Co. LTD
Independent Director	CHEN DONGSHENG	Chinese	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服務代理部

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/>

## The annual report directory

Item	Page number
<b>1. Report to shareholders</b> .....	1
1)Business results in 2018 .....	1
(I)Implementation results of the previous year’s plan .....	1
(II)Budget implementation .....	2
(III)The financial revenues and expenditures and profitability analysis .....	2
(IV)Research and development .....	2
2)Outline of the business plan for 2019 .....	3
(I)The company’s annual management policy .....	3
(II)Expected sales volume and its basis .....	4
(III)Important production and marketing policies .....	4
(IV)Affected by external competition, regulatory and overall operating environment .....	5
<b>2. Corporate profile</b> .....	7
1)Establishment date and group profile .....	7
2)Company development .....	8
<b>3. Corporate governance report</b> .....	11
1)Organization system .....	11
(I)Organizational structure .....	11
(II)Operations by major sectors .....	12
2)Director, supervisor, general manager, deputy general manager, assistant manager, department and branch director information .....	12
(I)Information of directors and supervisors .....	12
(II)General manager, deputy general manager, assistant manager, department and branch manager's information. ....	18
(III)Remuneration of directors, supervisors, general managers and deputy general managers .....	20
(IV)Respectively to compare this company and consolidated all companies in the last 2 years. Remuneration of the company directors, supervisors, general manager and deputy general manager of total remuneration or the individual financial reporting analysis and explanation of after-tax profit ratio to	

remuneration policies, standards, and to establish compensation procedures, operating performance and future risk of relevance. ....	25
3)Corporate governance and operation. ....	26
(I)Information on the operation of the board of directors ....	26
(II)The operation of the audit committee or the supervisory board's participation in the operation of the board of directors. ....	30
(III)The situation of corporate governance and the differences between the management practices of the listed companies and the reasons for their differences	33
(IV)Remuneration committee members, responsibilities and operations. ....	45
(V) Social responsibility ....	48
(VI)Implementation of integrity management ....	52
(VII)If the company has a set of corporate governance rules and relevant regulations, should reveal the query methods ....	55
(VII)Other important information that is enough to enhance the understanding of the operation of corporate governance should be disclosed.....	55
(IX)Implementation of internal control system ....	56
(X)Punishment of the company and its internal staff according to law, punishment of the company's internal staff for violating the provisions of the internal control system, major defects and improvement situations as of the latest annual report and the date of publication.....	58
(XI)Important resolutions of the shareholders' meeting and the board of directors in the most recent year (2018) and as of the date of publication of the annual report ....	59
(XII)In recent year and up to the publish date of annual report, the board of directors of the directors or supervisors to important resolutions have different opinions and have written records, the main content6159	
(XIII)In the most recent fiscal year and up to the publish date of annual report, summary of resignation situation of chairman, general manager, director, director of finance, internal auditor and head of research and development ....	62
4)Information on public accountants ....	62
(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 ....	62
(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.....	62

(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 .....	63
5)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 .....	63
6)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 .....	63
(I)Equity changes of directors, supervisors, managers and large shareholders .....	63
(II)Equity transfer or equity pledge relative to human relations information .....	64
7)Information about the shareholders whose shareholding ratio is among the top 10 are related persons or relatives within the range of spouses and parents .....	65
8)The company, the directors, the supervisors, the managers directly and indirectly control the number of shares held in the same reinvestment enterprise and to calculate the consolidated shareholding ratio .....	67
<b>4. Fund-raising situation</b> .....	<b>68</b>
1)Capital and shares .....	68
(I)Source of equity .....	69
(II)Shareholder structure .....	70
(III)Equity diversification .....	70
(IV)List of major shareholders .....	72
(V)Market value, net value per share, profit and related information of the last two years .....	73
(VI)The company's dividend policy and implementation status .....	73
(VII)The impact of the proposed free rights issue on the company's operation performance and earnings per share at the shareholders' meeting .....	73
(VIII)Remuneration for employees, directors and supervisors .....	75
(IX)Shares re-purchasing .....	76
2)Company debt situation .....	76
3)Special share handling situation: none. ....	76
4)Overseas deposit certificate processing status .....	76
5)Employee stock options .....	76
6)Restrictions on employees' rights to new shares .....	76

7)The case of merger or acquisition or the issuance of shares by shares of other companies .....	78
8)Implementation of capital utilization plan .....	78
<b>5. Operation overview</b> .....	<b>79</b>
1)Business content .....	79
(I)Business scope .....	79
(II)Industry profile .....	80
(III)Technology and R&D (research andn development) overview .....	90
(IV)Long- and short-term business development plan .....	93
2)Market and the general situation of production and sales .....	96
(I) Marketing analysis .....	96
(II)The main products of the important purpose and production process .....	108
(III)Supply status of main raw materials .....	108
(IV)Customers who have accounted for more than 10 %t of the total amount of goods received (sold) in any of the last two years and the reasons for the increase or decrease .....	108
(V)Production value for the last two years .....	109
(VI)Sales figures for the last two years .....	110
3)Number of employees in recent year .....	110
4)Environmental expenditure information .....	111
5)Labor relation .....	111
(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 .....	111
(II)The most recent fiscal year (2018) 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 .....	113
6)Important contracts .....	113
<b>6. Financial situation</b> .....	<b>119</b>
1)Financial information of the last five years .....	119
(I)Balance sheet and consolidated income statement .....	119
(II)The name and audit opinion of certified public accountants in last 5 years .....	119



2)Financial analysis (cause of change in financial ratio) .....	123
3)Reports reviewed by the inspector of the most recent annual financial reports or by the board of auditor	126
4)Financial statements .....	128
(I)Recent annual financial report .....	128
(II)The most recent fiscal year by the certified public accountants'(CPA) individual financial report	128
5)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 .....	128
<b>7. Review and analysis of financial status, financial performance and risk issues</b> .....	129
1)Financial status .....	129
2)Financial performance .....	130
3)Cash flow .....	131
4)The impact of the major capital expenditure on financial business in recent years .....	131
5)Major reasons for the change of investment policy, profit or loss, improvement plan and investment plan for the next year .....	132
6) Risk management shall analyze and evaluate the following matters .....	153
7)Other important matter .....	153
<b>8. Special record</b> .....	129
1)Information of related enterprises .....	129
2)The most recent year and as of the date of publication of the annual report, the handling of private securities .....	130
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 .....	131
4)Other necessary supplementary instructions .....	131
5)Description of major differences between the Company's AOA and Taiwan's regulations on protection of shareholders' rights and interests .....	131
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 .....	131
<b>Appendix</b> .....	154

## 1. Report to shareholders

Dear shareholders, ladies and gentlemen:

Thank you for coming to our company's annual general meeting in 2019. The annual operating performance of 2018 and the plan for 2019 are summarized as follows:

### 1) Business results in 2018

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

In year 2018, China's GDP grew by 6.6% over the previous year, achieving the expected growth target of around 6.5%. China's economic growth ranks first among the world's top five economies. China's economic growth contributes nearly 30% to world economic growth, and China continues to be the largest contributor to world economic growth. In the context of sustained and steady economic development, the development of 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 year 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 RMB 266.5 billion by year 2020.

The rapid development of market scale brings about the rapid change of traditional industry management mode. In recent years, shopping center has become one of the key distribution channels for children's wear brands, because it can effectively meet children's various experiential consumption needs. In addition, as the post-80s and post-90s baby boomers enter the baby boom period, their online shopping habits will be further penetrated in the field of baby and child consumption. In order to cater to the consumption habits of young parents and conform to the development trend of the new retail era, more and more children's shoes and clothing brands have gradually increased their e-commerce business. From year 2011 to 2017, the online transaction scale of maternal and baby products and children's clothing increased by 156%. With the gradual advance of the new retail model integrating online and offline, it is expected that the e-commerce business of children's clothing will have a broader space for development. Therefore, in year 2018, Topbi will make a significant change in adapting to the channel change, not only guide agents to gradually transfer stores to shopping center, but also

develop online agency channels. With the help of both entity and network increment, our company has maintained good performance growth in the past year.

(II) Budget implementation

The company's budget for year 2018 has ensured that the funds are used according to the planned purposes, the company's fixed assets procurement, various marketing expenses and intangible assets expenditure are strictly in accordance with the internal control procedures, and the expenses are in line with the expectations. 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 year 2018 is NT\$6.765 billion, up to 14.34 percent from its consolidated revenue of NT\$5.916 billion in year 2017. Net profit after tax for year 2018 was NT\$954 million, up to 4.46 percent from NT\$913 million in year 2017. Earnings per share after tax for year 2018 is NT\$11.56 (see table below).

Analysis of the project		Year	2018	2017	Increase (decrease) ratio (%)
Profit and loss analysis	Operating income (thousand)		6,764,779	5,916,268	14.34%
	Operating margin (thousand)		2,629,007	2,302,475	14.18%
	After-tax profit (thousand)		953,626	912,917	4.46%
Profitability	Net profit rate (%)		14.10%	15.43%	(8.62%)
	Earnings per share (NT) (the impact of the adjustment of the free allotment of shares in 2017)		11.56	11.25	2.76%

(IV) Research and development

Today, the role of science and technology is becoming more and more prominent. The research and development and commercialization of new products are the key to the survival of an enterprise or even an industry in the market. In the future, if Topbi wants to compete with China's top children's clothing enterprises, it needs to rapidly improve the competitiveness of its products, take the road of scientific and technological innovation, improve the added value of its products, and occupy the top end of the industrial value chain with brand strategy and R&D strategy. Therefore, the company will continue to invest in new product development and channel adaptation research and development. Keep up with the omni-channel development in the era of 5G, continue to promote the integration of online and offline channels, and dig and apply the massive data feedback from various channels to guide the future business direction. In terms of product research and development, we maintain close cooperation with institutions of higher learning such as Minjiang university, Fuzhou university arts and crafts college and Jiangxi institute of fashion technology, adhere to the strict industry standards in mainland China, and strive to improve the technological content of traditional children's clothing.

## 2) Outline of the business plan for 2019

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

Since its development, the company has been firmly convinced that technology is the traditional industry to maintain the vitality of innovation for a long time, always standing on the tide of the important thrust. Last year, Sun RuiZhe, President of the China textile industry federation, pointed out that "the new positioning of China's textile industry is an innovation-driven technology industry, a culture-led fashion industry, and a responsibility-oriented green industry." "Technology, fashion, green" is not only the new label of China's textile industry, but also the strategic way for textile and garment enterprises to rebuild their competitive advantages. In order to meet people's yearning for a better life and the pursuit of sustainable economic development, we need to take off with the help of science and technology in the next decade. In the next decade, science and technology will help speed up the whole industry. With the development of 5G network, sales channels, customer experience and shopping mode will be profoundly changed. Mobile phones will comprehensively replace PC as the main terminal of shopping. Online channels supported by VR, AR and other technologies will bring immersive shopping experience, and various advanced technologies will significantly reduce the experience differences between different channels. Therefore, since this year, the company has

increased the use of technology to accelerate the integration of online and offline channels and speed up the upgrading of shopping experience of physical channels, so as to remain invincible in the future multi-channel environment.

(II) Expected sales volume and its basis

In order to adapt to the physical channel to the shopping center transfer, the company in 2018 has launch the seventh generation PLUS style decoration suitable for daping number decoration, in order to guide the agent terminal from the mall to shopping center gradually transfer. 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 2018, the number of agents' terminals will be close to 1,600. 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 steady development. In 2019, the company intends to continue to expand the occupation of China's blank market, is expected to add at least one provincial agents. 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.

(III) Important production and marketing policies

(a) Promote brand diversification of Topbi group

In 2018, the company will make full efforts in the e-commerce field, cooperate with online agents, and achieve great achievements in Tmall, Taobao, Jingdong and other channels. Considering the continuous expansion of online revenue scale and the long-term development of the brand in the future, in order to make the online and offline development more synchronized and adapt to the cycle of repeated operation of products in the online channel more quickly. Since the beginning of this year, the company will do a good job in the main industry, do research and layout of market segments, through brand extension, rich product line, launched specializing in online channels of e-commerce brand - Mini Topbi. Mini Topbi products will be targeted at children aged between 80 cm and 120 cm. By means of sales and order production, it will fully meet the needs of online agents, and face online channels with the shortest design cycle, the fastest turnover mode and the highest quality requirements. In the process of synchronous development of entity brand Topbi and e-commerce Mini Topbi, we realize that multiple brands do their own jobs, online and offline do not interfere with each other,

rely on product category refinement, fill market segments, and help Topbi develop well in the next decade with complete shopping experience.

(b) 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 put into use, will form a strong logistics system support for the company's huge sales network. With the continuous growth of 25 agents, the addition of new agents in the future is bound to Topbi logistics warehousing and distribution of goods form a huge test. In the situation of the company's growing strength and the increasingly perfect marketing network, to further expand and strengthen, we must have a strong logistics distribution force to support, and it is urgent to form a new integrated management mode integrating information, procurement, transportation, warehousing and other logistics activities. 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) Affected by external competition, regulatory and overall operating environment

In 2015, the universal two-child policy was officially introduced. The birth encouragement policy has helped the mainland's birthrate grow steadily in the double digits, ranging from 10.94 per thousand to 12.43 per thousand from 2013 to 2018; The proportion of people aged 0 to 15 has also increased year by year, from 17.5% in 2013 to 17.80% in 2018, reaching 249 million. As the "two-child boom" continues to heat up, it is expected that the number of people aged 0-15 will still increase steadily, thus laying a solid population foundation for children's clothing demand. In addition, the update frequency of children's clothing is higher and the characteristics of rigid demand is conducive to the accelerated growth of children's clothing consumption volume. At present, the size of Chinese children's wear market is second only to the United States, but the ceiling of Chinese children's wear industry is far from being reached: the per capita consumption expenditure of Japan, the United States and the United Kingdom has reached USD 57.8/98.2/117.4 respectively, while the mainland is only USD 19.2. In comparison, the per capita consumption expenditure of Chinese children's wear still has great space for improvement. In the long run, with the release of "two-child economy" and "consumption

upgrading" dividend, the per capita consumption expenditure of children's wear in China is expected to continue to increase, thus driving the overall growth of children's wear consumption, which is good for domestic listed children's wear companies from the demand side. However, on the other hand, changes in consumer demand lead to increasingly complex competitive components. Market competitive pressure accelerates the in-depth segmentation of children's clothing market and narrows the market space of a single brand. In this industry background, the company must be innovative thinking to meet the challenge, dig internal work, for the shareholders to create greater value!

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

From Chairman Zhou Xun Cai

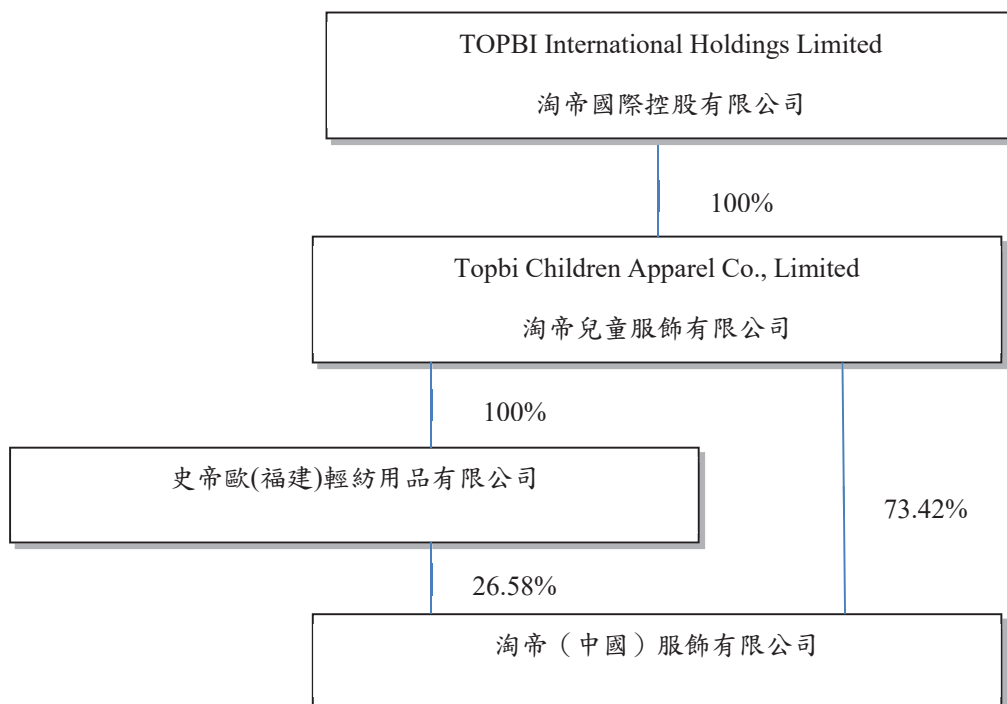
## 2. Corporate profile

### 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, 2018





## 2) Company development

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

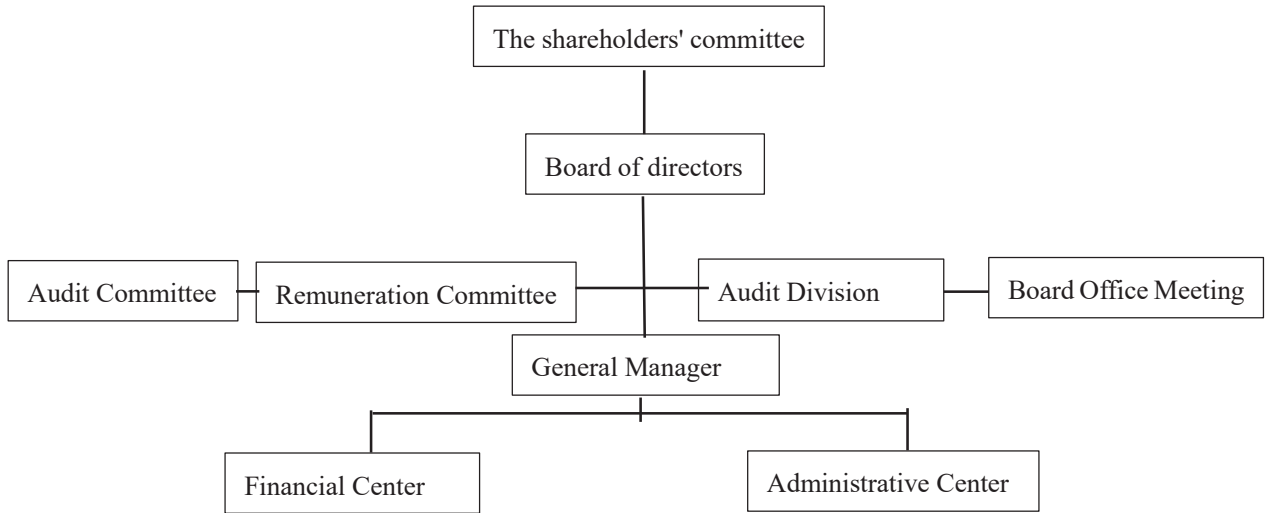
March 2016	"TOPBI" brand was awarded the 4th "China's top 10 children's wear brand" by the Chinese apparel association
December 2016	"TOPBI" brand has been awarded the title of independent brand enterprise of apparel home textile in 2016
January 2017	"TOPBI" brand has won the "national children's clothing 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.

### 3. Corporate governance report

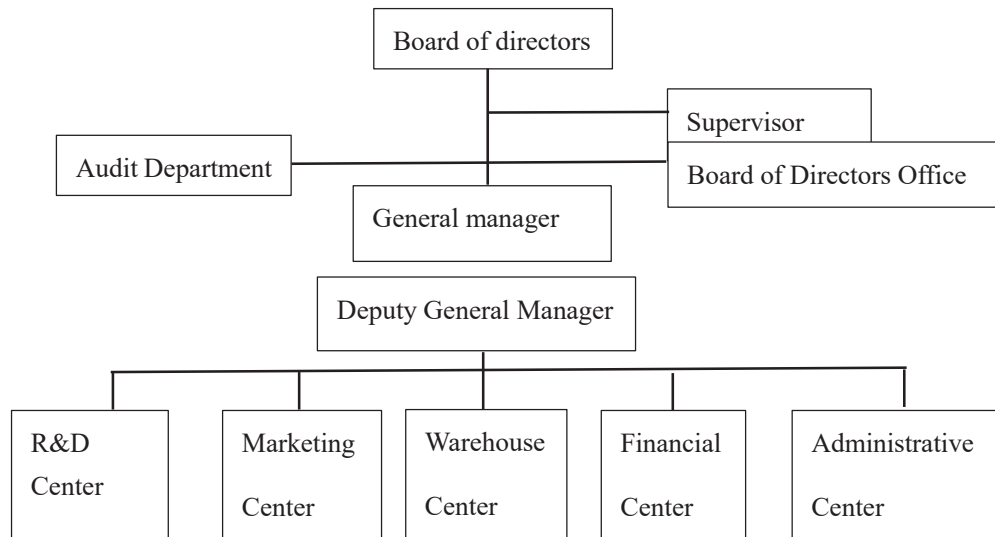
#### 1) Organization system

#### (I) Organizational structure

Organization Chart of TOPBI International Company



Organization Chart of Topbi China Company



(II) Operations by major sectors

Company	Department	Responsibilities
Topbi International Holdings Limited	Audit division	To oversee the audits of the audit and internal controls, and track the progress
	Board Office Meeting	Assist management to implement projects
	Administrative center	Handle group general affairs
	Financial center	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 center	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 center	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 center	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 center	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
	Financial center	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.

16 April 2019

Title	Name	Gender	Nationality or registration place	Date of election	Shareholder when elected	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	2016.6.17	3 years									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	Wang Kuan-Hua	Male	Republic of China	2016.6.17	3 years									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	CFO of Topbi International Holdings Limited General Manager of Taiwan Toprich International Holdings Limited			
Director	Ni Ruiying	Male	The People's Republic of China	2016.6.17	3 years									Major in Accounting, Xiamen University	Director of financial center of Topbi (China) Fashion Corp., Ltd			







Zhou Xun Cai										√					√	√	√	√	-
Wang Kuan-Hua										√					√	√	√	√	-
Ni RuiYing										√					√	√	√	√	-
Chen Hsiao Hung										√					√	√	√	√	-
Chen DongSheng										√					√	√	√	√	-
Huang Yi-Tsung										√					√	√	√	√	2
Tsai Chia-Hung										√					√	√	√	√	2

Note 1 : The directors and supervisors who meet the following requirements in the first two years and the term of office are requested to type in the space below the conditions “√”:

1. A person not employed by a company or its relationship company.
2. The directors and supervisors of the non-company relations (but if the company or its parent company, the subsidiaries are independent directors in accordance with this act or the laws, it is not limited).
3. A natural person who is not himself or his spouse, or a minor child, or in the name of another person, who holds a total of more than one percent of the total amount of shares issued by the company or which are the top 10 shareholders.
4. The spouses of the persons listed in the first three paragraphs, or the relatives or the relatives within the family, or within three relatives.
5. It is not directly that director, supervisory person, or employee of a legal person with 5% or more of the total number of legal persons issued by the company, or the director, supervisory person, or employer of the former five legal shareholders.

6. A director, supervisor, manager or holding of more than 5% of members of a particular company or organization that is not financial or business with the company.
7. Not for the company or relationship providing services such as business, legal, financial, accounting or consulting professionals, sole proprietorship, partnership, company or organization, business owners, partners, directors, supervisors, managers and their spouses. But according to the stock or in the business premises of a securities firm trading company salary remuneration committee setting and exercise their functions and powers according to article 7, the remuneration packages of functions and powers of the board members, are not subjected to this restriction.
8. Not having a spouse or a relationship with other directors.
9. Not included in one of that article 30 of the company law.
10. No government, legal person or representative elected under article 27 of the company law.

(II) General manager, deputy general manager, assistant manager, department and branch manager's information.

30 April 2019

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
CEO 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 General manager of Bailide youth clothing Co., LTD	CEO of Topbi Fashion Corp., Ltd.	—	—	—
Director of administration center of Topbi International	Wu DongFeng	Female	The People's	2006.06	—	—	—	—	—	—	Major in Administrative management, Sanning Junior College Assistant of General Manager of Fujian Teknik Group Co., LTD	Director of administration center of Topbi Fashion Corp., Ltd.	—	—	—

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	
			Republic of China								Manager of human resources department, 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	—	—	—	
Director of audit 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	—	—	—	—	
Director of Financial Center of Topbi (China) Fashion Corp., Ltd.	Ni RuiYing	Male	The People's Republic of China	2015.12	—	—	—	—	—	—	Major in Accounting, Xiamen University Director of Financial Center of Topbi (China) Fashion Corp., Ltd	Director of Topbi International Holdings Limited	—	—	—	
Director of R&D center 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 Center 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	—	—	—	—	

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
Director of Warehouse Center 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 Office manager of board of directors of Topbi (China) Fashion Corp., Ltd	—	—	—

### (III) Remuneration of directors, supervisors, general managers and deputy general managers

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

##### (a) Directors remuneration

Unit: NT \$ (thousand)

Title	Name	Directors remuneration				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	
		Remuneration (A)		Retirement pension (B)		Director's remuneration (C)		Business implementation expense (D)		The total amount of items A, B, C, D, E, F and G accounts for the ratio of net profit after tax			
		Our company	All companies in	Our company	All companies in	Our company	All companies in	Our company	All companies in	Our company	All companies in		



Pay Scales

Unit: NT \$

To pay the remuneration of each director of the company	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
Less than 2,000,000	Zhou Xun Cai , Ni RuiYing , Wang Kuan-Hua , Chen DongSheng , Huang Yi-Tsung , Tsai Chia-Hung , Chen Hsiao Hung	Zhou Xun Cai , Ni RuiYing , Wang Kuan-Hua , Chen DongSheng , Huang Yi-Tsung , Tsai Chia-Hung , Chen Hsiao Hung	Zhou Xun Cai , Ni RuiYing , Wang Kuan-Hua , Chen DongSheng , Huang Yi-Tsung , Tsai Chia-Hung , Chen Hsiao Hung
2,000,000 (inclusive) ~ 5,000,000 (excluding)	-	-	-
5,000,000 (inclusive) ~ 10,000,000 (excluding)	-	-	-
10,000,000 (inclusive) ~ 15,000,000 (excluding)	-	-	-
15,000,000 (inclusive) ~ 30,000,000 (excluding)	-	-	-
30,000,000 (inclusive) ~ 50,000,000 (excluding)	-	-	-
50,000,000 (inclusive) ~ 100,000,000 (excluding)	-	-	-
More than 100,000,000	-	-	-
Total	7	7	7

(b) Supervisor's remuneration: the company sets up the audit committee, so it does not apply.

(c) General manager and deputy general manager's remuneration

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	Cash amount	Stock amount	Our company	All companies in the financial report		
General manager	Zhou ZhiHong	—	5,481	—	—	—	—	—	—	—	—	—	—	0.57%	None



Pay scales

Unit: NT \$

Remuneration level of the company's various general manager and deputy general manager	Name of general manager and deputy general manager	
	Our Company	All company in the financial report (E)
Less than 2,000,000	—	—
2,000,000 ( inclusive ) ~5,000,000 ( exclusive )	—	—
5,000,000 ( inclusive ) ~10,000,000 ( exclusive )	Zhou ZhiHong	Zhou ZhiHong
10,000,000 ( inclusive ) ~15,000,000 ( exclusive )	—	—
15,000,000 ( inclusive ) ~30,000,000 ( exclusive )	—	—
30,000,000 ( inclusive ) ~50,000,000 ( exclusive )	—	—
50,000,000 ( inclusive ) ~100,000,000 ( exclusive )	—	—
More than 100,000,000	—	—
Total	1	1

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

(IV) Respectively to compare this company and consolidated all companies in the last 2 years.

Remuneration of the company directors, supervisors, general manager and deputy general manager of total remuneration or the individual financial reporting analysis and explanation of after-tax profit ratio to remuneration policies, standards, and to establish compensation procedures, operating performance and future risk of relevance.

1. The company and the consolidated statements of the company which have been paid to directors, supervisors, general managers and deputy general managers of the company in the last two years for the analysis of the after-tax net profit ratio of individual financial reports:

Unit : NT\$ (thousand)

Project	2017				2018			
	Our company		Consolidated		Our company		Consolidated	
	Amount	%	Amount	%	Amount	%	Amount	%
Director	12,850	1.41	30,583	3.35	6,960	0.73	9,108	0.96
General manager and Deputy general manager	19,000	2.08	24,679	2.70	—	—	5,481	0.57
After-tax profit	912,917	100.00	912,917	100.00	953,626	100.00	953,626	100.00

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

2. Policies, standards, payments of remuneration, procedures for setting remuneration and relationship between operational performance and future risks:

(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) Corporate governance and operation.

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

The board of directors has met six times (A) of the current financial year (2018), the attendance of the board of directors are listed as follows:

Title	Name	Actual attendance (B)	Entrust attendance	Actual attendance rate (%) (B / A)	Remarks
Chairman	Zhou Xun Cai	6	-	100%	17.06.2016 Appointed consecutively
Director	Ni RuiYing	6	-	100%	17.06.2016 Newly appointed

Director	Wang Kuan-Hua	6	-	100%	17.06.2016 Newly appointed
Director	Chen Hsiao- Hung	6	-	100%	17.06.2016 Appointed consecutively
Independ ent director	Chen DongShe ng	3	3	50%	17.06.2016 Appointed consecutively
Independ ent director	Tsai Chia- Hung	6	-	100%	17.06.2016 Appointed consecutively
Independ ent director	Huang Yi-Tsung	6	-	100%	17.06.2016 Appointed consecutively

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 bill, the opinions of all independent directors.

(a) Securities exchange act listed in item 3 of article 14: detailed in the following table.

Board meetings	Motion and follow-up	Securities and exchange act 14-3 listed items	The independent director opposes or neutral
The third session, 11th meeting 2018.3.23	1. Passing the proposal of the company's remuneration for employees and directors in 2017	√	None
	3. Passing the proposal of internal control statement of the company in 2017	√	None
	Opinions of independent directors: none		
	The firm's opinion on independent directors: none		
	The resolution: Except for independent director Tsai Chia-Hung, Huang Yi-Tsung and director Chen Hsiao Hung's right to abstain from exercising the right to vote in the case of salary adjustment of the company's directors, and director Wang Kuan Hua's right to abstain from exercising the right to vote in the case of salary adjustment of the		

	company's managers, all the directors present and independent directors passed the case without objection.		
The third session, 12th meeting 2018.5.8	1. Passing the proposal of the company's annual distribution of profit in 2017	√	None
	2. Passing the proposal for a new share issuance through capitalization of earnings in 2017	√	None
	3. Passing the annual accounting fee and accounting independence of the company in 2018	√	None
	4. Passing the proposal in the amendment of the articles of association of the company	√	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 third session, 14th meeting 2018.10.22	1. Passing the proposal of the subsidiary e-commerce logistics industrial park construction plan	√	None
	2. Passing the proposal of the project investment letter of intent was signed by the subsidiary and JiangSu Toprich Science, Industry and Trade City Co., Ltd.	√	None
	Opinions of independent directors: none		
	The firm's opinion on independent directors: none		
	The resolution: Except for the signing of the project investment letter of intent between Topbi (China) Fashion Co., Ltd. and Jiangsu Toprich Science, Industry and Trade City Co., Ltd. through the subsidiary company "Topbi (China) Fashion Co., Ltd.". Chairman Zhou Xun Cai leaves the meeting to avoid exercising the right to vote, the attending directors and the independent directors all approve without objection.		
The third session, 15th meeting 2018.11.9	1. Passing the proposal of the company to buy back the company shares	√	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 third session, 16th meeting 2018.12.28	1. Passing the revising of the company's first buy-back share transfer method for employees	√	None
	2. Passing the proposal for the organization and management of the remuneration committee	√	None
	3. Passing the proposal in the amendment of the act on the administration of transactions between Topbi International Holdings Limited and its subsidiaries	√	None
	Opinions of independent directors: none		
	The firm's opinion on independent directors: none		
	The resolution: In addition to amending the loan contract between subsidiary Topbi Children Apparel Co., Limited and its shareholder Topwealth International Holdings Limited, and amending the loan contract between the company and its shareholder		

	Topwealth International Holdings Limited, Zhou Xun Cai, chairman of the board of directors of the company, excused himself from the meeting to exercise his voting rights, the directors present and all the independent directors approved without objection.
--	--

(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, in the case of avoidance of the bill of interest, specify the name of the directors, the contents of the bill, the reasons for the withdrawal of interests in the participation of voting:

Name	Content of bill	Reasons for avoiding interest	Voting situation
Tsai Chia-Hung 、 Huang Yi-Tsung、 Chen Hsiao-Hung	Passing the proposal of the company's director salary adjustment	interest at stake	Approval from the other directors
Wang Kuan Hua	Passing the proposal of the company's manager salary adjustment	interest at stake	Approval from the other directors
Zhou Xun Cai	Passing the proposal of the borrowing from related parties through subsidiaries	interest at stake	Approval from the other directors
Zhou Xun Cai	Passing the proposal of the borrowing from related parties through company	interest at stake	Approval from the other directors
Zhou Xun Cai	Passing the proposal of the project investment letter of intent was signed by the subsidiary and Jiangsu Toprich Science, Industry and Trade City Co., Ltd.	interest at stake	Approval from the other directors
Zhou Xun Cai	Passing the proposal in revision of the loan contract between the subsidiary Topbi Children Apparel Co., Limited and its	interest at stake	Approval from the other directors

	shareholder Topwealth International Holdings Limited		
Zhou Xun Cai	Passing the proposal in revision of the loan contract between the company and its shareholder Topwealth International Holdings Limited	interest at stake	Approval from the other directors

3. 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.

The audit committee met six times (A) in the recent financial year (2018) and the independent directors are listed as follows:

Title	Name	Actual attendance(B)	Entrust attendance	Actual attendance rate (%) (B/A)	Remarks
Independent director	Chen DongSheng	3	3	50%	17.06.2016 Appointed consecutively
Independent director	Tsai Chia-Hung	6	–	100%	17.06.2016 Appointed consecutively
Independent director	Huang Yi-Tsung	6	–	100%	17.06.2016 Appointed consecutively

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 bill, the opinions of all independent directors.

(a) Securities exchange act listed in item 5 of article 14: detailed in the following table.

Board of auditors	Motion and follow-up	Securities and exchange act 14-3 listed items	The independent director opposes or neutral
The third session, 10th meeting 2018.3.23	1. Passing the proposal of the company's remuneration for employees and directors in 2017	√	None
	2. Passing the annual consolidated financial statements of the company in 2017	√	None
	3. Passing the proposal of internal control statement of the company in 2017	√	None
	4. Passing the annual business report of the company in 2017	√	None
	5. Passing the pre booking a regular meeting for shareholders on June 21, 2018	√	None
	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, 11th meeting 2018.5.8	1. Passing the proposal of the company's annual distribution of profit in 2017	√	None
	2. Passing the proposal for a new share issuance through capitalization of earnings in 2017	√	None
	3. Passing the annual accounting fee and accounting independence of the company in 2018	√	None
	4. Passing the proposal in the amendment of the articles of association of the company	√	None
	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, 12th meeting 2018.8.2	1. Passing the proposal of the company and its subsidiary's consolidated financial reports for the second quarter of 2018	√	None
	Audit committee opinion: none		
	Opinions of independent directors: none		
Resolution result: Independent director Huang Yi-Tsung and Tsai Chia-Hung are proposee: The company's management team shall propose countermeasures on the impact of the increase of foreign currency liabilities and the irregular exchange losses on the financial statements, including how to avoid risks or use derivative commodities on foreign currency positions, which shall be submitted by the board of auditors and the board of directors next time.			



The third session, 13th meeting 2018.10.22	1. Passing the proposal of the subsidiary e-commerce logistics industrial park construction plan	√	None
	2. Passing the proposal of the project investment letter of intent was signed by the subsidiary and Jiangsu Toprich Science, Industry and Trade City Co., 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 third session, 14th meeting 2018.11.9	1. Passing the proposal of the company to buy back the company shares	√	None
	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, 15th meeting 2018.12.28	1. Passing the revising of the company's first buy-back share transfer method for employees	√	None
	2. Passing the proposal in the amendment of the act on the administration of transactions between Topbi International Holdings Limited and its subsidiaries	√	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 directors shall, in the case of the avoidance of the bill of interest, specify the name of the independent director, the content of the bill, the reasons for the withdrawal of interest and the voting situation: 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) The situation of corporate governance and the differences between the management practices of the listed companies and the reasons for their differences

Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
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

Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
<p>advantage of the non-public information in the market to buy and sell securities?</p>		<p>advantage of the unpublished information in the market to buy and sell securities.</p>	
<p>3. Composition and responsibilities of the board of directors.</p> <p>(a) Does the board have a diversity policy and implementation?</p> <p>(b) In addition to the remuneration committee and audit committee, does the company voluntarily set up other functional committees?</p> <p>(c) Have the company established a board performance evaluation and assessment method, and conduct performance evaluations annually?</p> <p>(d) Does the company regularly assess the independence of the CPA?</p>	<p>Yes</p> <p>Yes</p> <p>Yes</p> <p>Yes</p>	<p>(a) The directors of the company have different expertise in various fields and are helpful in the development and operation of the company.</p> <p>(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.</p> <p>(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.</p> <p>(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.</p>	<p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p> <p>No significant difference</p>
<p>4. Whether the listed company has set up a dedicated unit (including but not limited to</p>	<p>Yes</p>	<p>The board committee of the company is the management unit, responsible for the related affairs of the company. Providing the</p>	<p>No significant difference</p>

Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
providing the information required by the directors and the supervisors. To operate the business, handling the meeting agendas of the board and shareholders' meeting according to law, handling the company registration, changing of registration?		information required for the board of directors, handling issues of the board of directors and the board of shareholders according to law, as well as company registration and change of registration.	
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
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

Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
(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
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 risk measure, as well as the purchase of liable insurance for directors and supervisors etc.)?	Yes	<ol style="list-style-type: none"> <li>1. Board of directors continued education, note 1.</li> <li>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.</li> <li>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.</li> <li>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,</li> </ol>	No significant difference

Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
		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.</p> <p>The company's corporate governance assessment in 2018 has improved as follows.</p>			
Content of evaluation	Improved situation		
Does the company upload the English version of the procedure manual and supplementary information of the meeting before the 21st day of the general meeting of shareholders?	The company has been uploaded on May 14.		
Whether the company will upload the English version of its annual report before the seventh day of the shareholders' regular meeting?	The company has been uploaded on June 06.		
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.		
Does the company's internal auditor have at least one international internal auditor, international computer auditor or certified public accountant?	The company's internal audit supervisor has passed the CPA examination.		

Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
Are annual financial statements (including financial statements and notes) disclosed in English version on the company's website or the open information observatory?		The company has disclosed its 2018 financial report (including financial statements and notes) in English version at the open information observatory.	
The company has obtained OHSAS18001 2004 environmental management system certification.		The company has obtained OHSAS18001 2004 environmental management system certification.	
<b>Matters and measures that have not been improved:</b>			
<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.		



Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
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.
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			The company has established the board performance evaluation method, and the board of directors has approved it. The company will



Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
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?		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.	
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.	

Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
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 prioritizes 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 prioritizes 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 prioritizes the disclosure of CSR promotion plans and implementation results in the annual report and the company website.	

Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
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.	
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.	

Items to be evaluated	Operation situation		The differences and reasons of the code of practice on governance of listed companies
	Yes	No	
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 health issues in a joint effort to promote corporate social responsibility, which is disclosed on the company website or CSR report?	The company prioritizes 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 social responsibility, and corporate social responsibility report on the company website or disclosure.		
Remarks 1: Continued education of directors in 2018.			
Title	Name	Date	Hours
Host			Course

Items to be evaluated		Operation situation		The differences and reasons of the code of practice on governance of listed companies	
		Yes	No		
Director	Ni Rui Ying	2018.11.22 ~2018.11.23	12	Accounting research and development foundation of the republic of China	Accounting supervisor of the issuer securities exchange continued education
Director	Wang Kuan-Hua	2018.12.24 ~2018.11.25	12	Accounting research and development foundation of the republic of China	Accounting supervisor of the issuer securities exchange continued education
Independent director	Tsai Chai-Hung	2018.06.13	3	Foundation for the development of securities and futures institute in the republic of China	Seminar on directors' and supervisors' (including independent) practices (corporate governance and securities regulation)
Independent director	Huang Yi-Tsung	2018.09.26	3.1	Foundation for the development of securities and futures institute in the republic of China	Corporate governance BBS - ESG investment BBS
Director	Chen Hsiao-Hung	2018.04.11	3	Taiwan Academy of Banking and Finance	Corporate governance BBS - Family business inheritance
		2018.09.26	3.1	Foundation for the development of securities and futures institute in the republic of China	Corporate governance BBS - ESG investment BBS

(IV) Remuneration committee members, responsibilities and operations.

1. Member information of remuneration committee.

Title	Name	More than 5 years working experience. And the following professional qualifications.			Independent condition (note)								Concurrently assume other public company remuneration committee member number	Remark
		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		
Independent director	Chen DongSheng	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	0	-
Independent director	Tsai Chia-Hung		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-
Independent director	Huang Yi-Tsung			✓	✓	✓	✓	✓	✓	✓	✓	✓	1	-

Note : The directors and supervisors who meet the following requirements in the first two years and the term of office are requested to type in the space below the conditions “√”.

(a) A person not employed by a company or its relationship company.

- (b) The directors and supervisors of the non-company relations (but if the company or its parent company, the subsidiaries are independent directors in accordance with this act or the laws, it is not limited).
- (c) A natural person who is not himself or his spouse, or a minor child, or in the name of another person, who holds a total of more than one percent of the total amount of shares issued by the company or which are the top 10 shareholders.
- (d) The spouses of the persons listed in the first three paragraphs, or the relatives or the relatives within the family, or within three relatives.
- (e) It is not directly that director, supervisory person, or employee of a legal person with 5% or more of the total number of legal persons issued by the company, or the director, supervisory person, or employer of the former five legal shareholders.
- (f) A director, supervisor, manager or holding of more than 5% of members of a particular company or organization that is not financial or business with the company.
- (g) Not for the company or relationship providing services such as business, legal, financial, accounting or consulting professionals, sole proprietorship, partnership, company or organization, business owners, partners, directors, supervisors, managers and their spouses.
- (h) Not included in one of that articles 30 of the company law.

## 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: 17.06.2016-17.06.2019. The remuneration committee recently met 2 times (A) in the 2018 annual report, members and attendance are as follows:

Title	Name	Actual attendance (B)	Entrust attendance	Actual attendance rate (%) (B/A)	Remarks
Convener	Tsai Chia-Hung	2	-	100%	17.06.2016 Appointed consecutively
Member	Huang Yi-Tsung	2	-	100%	17.06.2016 Appointed consecutively
Member	Chen DongSheng	1	1	50%	17.06.2016 Appointed consecutively
<p>Other items to be recorded:</p> <p>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 bill, the opinions of all independent directors (Where the salary remuneration passed by the board is superior to the remuneration committee's recommendation, it should indicate the difference and reason ): None</p> <p>2. Summary of the remuneration committee, if a member has any objection or retention of an opinion and has a record or a written statement, the date, period, contents of the bill shall be specified in the remuneration committee: None.</p>					



(V) Social responsibility

Evaluation project	Operation situation		The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	
1. Implementation of corporate governance			
(I) Whether the company has set up a corporate social responsibility policy or system, and regularly review its implementation effect?	Yes	(I) The company has now established a corporate social responsibility policy or system, it provides other important information that will help to understand the corporate social responsibility.	There are no significant differences.
(II) Does the company regularly organize social responsibility education training?	Yes	(II) The company holds the social responsibility education training program for employees on a regular basis to strengthen the cognition of the social responsibility of employees.	There are no significant differences.
(III) Is the company set up to promote corporate social responsibility (part-time) units and to be empowered by the board of directors to process and report to the board of directors?	Yes	(III) The company has a dedicated unit of corporate social responsibility at the board of directors, the board of directors has authorized senior management, and to report to the board of directors.	There are no significant differences.
(IV) Does the company establish a reasonable remuneration policy, and to combine employee performance appraisal system with corporate social responsibility policy, and establish a clear and effective reward and punishment system?	Yes	(IV) We have established a reasonable wage policy, and we have on a regular basis to provide training for our employees, to strengthen our staffs awareness of corporate social responsibility, and to improve the skills of our employee in order to pursuit better operational performance	There are no significant differences.

Evaluation project	Operation situation		The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	
<p>2. Development of a sustainable environment</p> <p>(I) Is the company committed to improving the utilization efficiency of various resources and using recycled materials with low impact on the environment?</p> <p>(II) Does the company establish an appropriate environmental management system according to its industrial characteristics?</p> <p>(III) Does the company pay attention to the influence of climate change on operating activities, and perform the scrutiny of greenhouse gases, to develop energy saving carbon reduction and greenhouse gas reduction strategy?</p>	Yes	<p>(I) 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.</p> <p>(II) The 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 &amp; Industry Goods Corp., Ltd has no business activity and does not involve in relevant environmental pollution problems.</p>	<p>There are no significant differences.</p> <p>There are no significant differences.</p>
	Yes	<p>(III) Be aware and timely adjust the company's operating location and office air conditioner temperature to achieve the goal of energy saving and carbon reduction.</p>	<p>There are no significant differences.</p>
	Yes	<p>(I) The company has formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions.</p>	<p>There are no significant differences.</p>
<p>3. Maintaining social welfare</p> <p>(I) Does the company formulate relevant management policies and procedures in accordance with relevant regulations and international human rights conventions?</p> <p>(II) Does the company establish employee complaint mechanism, and completed the optimal processing?</p>	Yes	<p>(I) The company has formulated relevant management policies and procedures in accordance with relevant regulations and international human rights conventions.</p>	<p>There are no significant differences.</p>

Evaluation project	Operation situation		The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	
(III) Does the company provide employees safe and healthy working environment, and implement the safety and health education for employees on a regular basis?	Yes	(II) The company has been specially responsible for the staff grievance mechanism and pipeline from the executive center and should be properly handled.	There are no significant differences.
(IV) Does the company establish a mechanism for regular communication with the employee and notify in a reasonable way about operational changes that may have a significant impact on the employee?	Yes	(III) The company has been in accordance with the construction of public security, fire prevention and other relevant laws and regulations to provide employees with a safe and healthy working environment, as well as educational training for employees.	There are no significant differences.
(V) Does the company establish effective ability of career development for employees training plan?	Yes	(IV) The company has established a direct line of communication between management and staff, and in case of any operational changes that may significantly affect the operation, notice should be given to staff on the notice board.	There are no significant differences.
(VI) Does the company establish policies and procedures for the development, procurement, production, operation and services to protect consumer rights and interests?	Yes	(V) The company has established an effective career development training program for employees and regularly conducts relevant training.	There are no significant differences.
(VII) Does the company follow the marketing and labeling of products and services, the relevant laws and regulations and international standards?	Yes	(VI) The company in accordance with related laws and regulations in mainland China, formulate related after-sales service, in order to protect consumers' rights and interests. (VII) The company has complied with relevant regulations and international standards for the marketing and labeling of products and services.	There are no significant differences. There are no significant differences.

Evaluation project	Operation situation		The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	
(VIII) Prior to starting a relationship with suppliers, does the company evaluate the supplier's past experience of influencing the environmental and social records?  (IX) Is the contract between the company and its major supplier, including the supplier, such as policy relating to the violation of its corporate social responsibility, and the provision of the termination or cancellation of the contract at any time when there is a significant impact on the environment and society?	Yes  Yes	(VIII) The company shall promote corporate social responsibility in the future and will consider the appropriate opportunity to cooperate with suppliers to promote corporate social responsibility.  (IX) The company's major suppliers, such as those involved in violation of their corporate social responsibility policies, will deal with the seriousness of the case when there is a significant impact on the environment and society.	There are no significant differences.  There are no significant differences.
4. Enhance the disclosure of information (1) Does the company disclose information about the relevance and reliability of corporate social responsibility in its website and public information observatory?	Yes	(1) The company discloses the relevant information on corporate social responsibility of correlation and reliability, and further disclosed on the company's website and public information observatory in accordance with relevant regulations.	There are no significant differences.
5. If the company has its own corporate social responsibility code according to the code of practice on corporate social responsibility of the listed company, please explain the difference between its operation and the code of practice: The company has established the code of practice on corporate social responsibility of the listed company, and there is no significant difference.			

Evaluation project	Operation situation		The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	
6. Other important information which contributes to an understanding of corporate social responsibility operation situation: The company has set up the professional unit of corporate social responsibility in the board office. The 2017 annual corporate social responsibility policy specific promotion plan and implementation results in the following table: None.			
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 integrity management

Evaluation project	Operation situation		The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	
1. Establish integrity business policy and proposal (1) Does the company express its business policy and practices in accordance with the regulations and external documents, and actively implement the business commitments of the board of directors and management?	Yes	(1) Our company has established an "integrity practice code" and "good faith operation procedure and conduct guidelines" (the "code of integrity"). All colleagues and members of the board of directors of the company shall believe in and practice the aforementioned code of good faith specification	There are no significant differences.

Evaluation project	Operation situation		The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	
(II) Does the company establish prevent dishonest behavior, and to implement the procedures, guidelines, disciplinary procedures and complaints system in each programme?  (III) Does the company take preventive measures against the business activities of the "ethical code of conduct for listed companies" article 7, paragraph 2, or other business activities with higher risk of dishonesty?	Yes	and execute in the internal management and external business activities.  (II) 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.  (III) All members of the company and the board of directors follow the aforementioned good faith standards, which are stipulated in the code of integrity, prohibiting bribery and the provision of illegal political donations.	There are no significant differences.  There are no significant differences.
2. Integrity management  (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?  (II) Does the company set up an enterprise integrity management (part-time) unit under the board of directors and report regularly to the board of directors?	Yes	(I) The 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.  (II) The company shall designate the office of the board of directors to conduct the revision, implementation, interpretation, consultation service and notification of the	There are no significant differences.  There are no significant differences.

Evaluation project	Operation situation		The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	
(III) Whether the company has established policies to prevent conflicts of interest, provides appropriate statement of piping, and the implementation ?  (IV) Whether the company has established an effective accounting system, internal control system for the implementation of the integrity operation, and is regularly checked by the internal audit unit, or commissioned by the entrusted accountant to audit?  (V) Does the company regularly hold in the good faith management of internal and external education training?	Yes	registration and filing of the procedures and guidelines, and report to the board of directors every year. (III)The company shall prepare the interests of integrity specification and set up the appropriate pipeline mechanism. (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. (V) The company regularly conducts internal integrity management, external education training.	There are no significant differences.  There are no significant differences.  There are no significant differences.
	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. (II) The person responsible for the handling of the inspection, is also responsible for client's confidential information.	There are no significant differences.  There are no significant differences.
	Yes		
	Yes		
	Yes		
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? (II) Does the company establish an investigation standard procedure and related confidentiality mechanism for the acceptance of the reporting matter?	Yes  Yes  Yes		



Evaluation project	Operation situation		The differences and reasons of the code of practice on corporate social responsibility of the listed company
	Yes	No	
(III) Does the company take measures to protect the prosecutor against improper handling of the prosecution?		(III) The company take measures to protect the prosecutor against improper handling of the prosecution.	There are no significant differences.
4. Enhance the disclosure of information (I) Does the company disclose the content of its ethical practices and promote its effectiveness on its website and public information observatory?	Yes	(I) The company's website has been completed and implemented in accordance with relevant laws of Taiwan.	There are no significant differences.
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.			
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.			

(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 that is enough to enhance the understanding of the operation of the corporate governance should be disclosed: None.



(IX) Implementation of internal control

1. Internal control statement

淘帝國際控股有限公司

內部控制制度聲明書

日期：2019年3月25日

本公司2018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2018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逕行取得、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2019年3月25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  簽章

總經理：  簽章

2. The internal audit report by the entrusted accountant shall be disclosed: Yes.

**Deloitte.**

**勤業眾信**

勤業眾信聯合會計師事務所  
11073 台北市信義區松仁路100號20樓

Deloitte & Touche  
20F, Taipei Nan Shan Plaza  
No. 100, Songren Rd.,  
Xinyi Dist., Taipei 11073, Taiwan

Tel: +886 (2) 2725-9988  
Fax: +886 (2) 4051-6888  
www.deloitte.com.tw

內部控制制度審查報告

後附洵帝國際控股有限公司民國 108 年 3 月 25 日謂經評估認為其與外部財務報導及保障資產安全有關之內部控制制度，於民國 107 年 12 月 31 日係有效設計及執行之聲明書，業經本會計師審查竣事。維持有效之內部控制制度及評估其有效性係公司管理階層之責任，本會計師之責任則為根據審查結果對公司內部控制制度之有效性及上開公司之內部控制制度聲明書表示意見。

本會計師係依照「公開發行公司建立內部控制制度處理準則」及一般公認審計準則規劃並執行審查工作，以合理確信公司上述內部控制制度是否在所有重大方面維持有效性。此項審查工作包括瞭解公司內部控制制度、評估管理階層評估整體內部控制制度有效性之過程、測試及評估內部控制制度設計及執行之有效性，以及本會計師認為必要之其他審查程序。本會計師相信此項審查工作可對所表示之意見提供合理之依據。

任何內部控制制度均有其先天上之限制，故洵帝國際控股有限公司上述內部控制制度仍可能未能預防或偵測出業已發生之錯誤或舞弊。此外，未來之環境可能變遷，遵循內部控制制度之程度亦可能降低，故在本期有效之內部控制制度，並不表示在未來亦必有效。

依本會計師意見，依照「公開發行公司建立內部控制制度處理準則」之內部控制有效性判斷項目判斷，洵帝國際控股有限公司與外部財務報導及保障資產安全有關之內部控制制度，於民國 107 年 12 月 31 日之設計及執行，在所有重大方面可維持有效性；洵帝國際控股有限公司於民國 108 年 3 月 25 日所出具謂經評估認為其上述與外部財務報導及保障資產安全有關之內部控制制度係有效設計及執行之聲明書，在所有重大方面則屬允當。

勤業眾信聯合會計師事務所

會計師 江 明 南

江明南



會計師 施 景 彬

施景彬



中 華 民 國 108 年 3 月 29 日

(X) Punishment of the company and its internal staff according to law, punishment of the company's internal staff for violating the provisions of the internal control system, major defects and improvement situations as of the latest annual report and the date of publication: None.

(XI) Important resolutions of the shareholders' meeting and the board of directors in the most recent year (2018) 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 of directors	2018.3.23	<ol style="list-style-type: none"> <li>1. Passing the proposal of the company's remuneration for employees and directors in 2017</li> <li>2. Passing the annual consolidated financial statements of the company in 2017</li> <li>3. Passing the proposal of internal control statement of the company in 2017</li> <li>4. Passing the annual business report of the company in 2017</li> <li>5. Passing the pre booking a regular meeting for shareholders on June 21, 2018</li> <li>6. Passing the proposal of the company's director salary adjustment</li> <li>7. Passing the proposal of the company's manager salary adjustment</li> </ol>
Board of directors	2018.5.8	<ol style="list-style-type: none"> <li>1. Passing the proposal of the company's annual distribution of profit in 2017</li> <li>2. Passing the proposal for a new share issuance through capitalization of earnings in 2017</li> <li>3. Passing the annual accounting fee and accounting independence of the company in 2018</li> <li>4. Passing the proposal in the amendment of the articles of association of the company</li> <li>5. Passing the proposal in the amendment of the company's 2017 regular meeting of shareholders</li> </ol>
Shareholders' meeting	2018.6.21	<ol style="list-style-type: none"> <li>1. Acknowledge the annual business report and financial statements of the company in 2017</li> <li>2. Acknowledge earnings distribution of company in 2017</li> <li>3. Approved the proposed of the purchase of directors' liability insurance</li> </ol>

		<ol style="list-style-type: none"> <li>4. Approved the proposed a new share issuance through capitalization of earnings in 2017</li> <li>5. Approved the proposed amendment to the articles of association of the company</li> </ol>
Board of directors	2018.8.2	<ol style="list-style-type: none"> <li>1. Passing the proposal of the borrowing from related parties through subsidiaries</li> <li>2. Passing the proposal of the borrowing from related parties through company</li> <li>3. Passing the proposal of the company's credit application with Entie Bank</li> </ol>
Board of directors	2018.10.22	<ol style="list-style-type: none"> <li>1. Passing the proposal of the subsidiary e-commerce logistics industrial park construction plan</li> <li>2. Passing the proposal of the project investment letter of intent was signed by the subsidiary and JiangSu Toprich Science, Industry and Trade City Co., Ltd.</li> </ol>
Board of directors	2018.11.9	<ol style="list-style-type: none"> <li>1. Passing the proposal of the basis date for ex-dividend of Topbi International Holdings Limited</li> <li>2. Passing the proposal of the company to buy back the company shares</li> </ol>
Board of directors	2018.12.28	<ol style="list-style-type: none"> <li>1. Passed the annual audit plan of the company in 2019</li> <li>2. Passing the proposal in revision of the loan contract between the subsidiary Topbi Children Apparel Co., Limited and its shareholder Topwealth International Holdings Limited</li> <li>3. Passing the proposal in revision of the loan contract between the company and its shareholder Topwealth International Holdings Limited</li> <li>4. Passing the revising of the company's first buy-back share transfer method for employees</li> <li>5. Passing the proposal for the organization and management of the remuneration committee</li> <li>6. Passing the proposal in the amendment of the act on the administration of transactions between Topbi International Holdings Limited and its subsidiaries</li> </ol>
Board of directors	2019.3.25	<ol style="list-style-type: none"> <li>1. Approved the proposal of the capital loan through subsidiaries</li> <li>2. Approved the company borrows money from its subsidiary, Topbi (China) Fashion Corp., Ltd.</li> </ol>



		<ol style="list-style-type: none"> <li>3. Approved the proposal of the company's remuneration for employees and directors in 2018</li> <li>4. Passing the annual consolidated financial statements of the company in 2018</li> <li>5. Passing the annual internal control statement effectiveness assessment and internal control statement of the company in 2018</li> <li>6. Passing the annual business report of the company in 2018</li> <li>7. Approved the proposal of the amendment to the articles of association of the company</li> <li>8. Approved the proposal of the election of board members for the new term of board membership</li> <li>9. Approved the proposal of the prohibition on directors from participation in competitive business</li> <li>10. Approved the proposal of the company intends to lift the restriction on manager's non-competition</li> <li>11. Passing the pre booking a regular meeting for shareholders on June 14, 2019</li> </ol>
--	--	---

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 (2018.6.21)
<ol style="list-style-type: none"> <li>1. Passed the amendment to the company's articles of association: completed on July 12, 2018.</li> <li>2. Recognize the company's 2017 earnings distribution plan: Cash dividends and stock dividends have been distributed on December 22, 2018.</li> <li>3. The company has passed the annual profit and other capital increase for 2017: Completed on December 22, 2018.</li> <li>4. Purchase of the directors' liability insurance: Completed</li> </ol>

(XII) In recent year and up to the publish date of annual report, the board of directors of the directors or supervisors to important resolutions have different opinions and have written records, the main content: None.

(XIII) In the most recent fiscal year and up to the publish date of annual report, summary of resignation situation of chairman, general manager, director, director of finance, internal auditor and head of research and development: None.

4) Information on public accountants

Accounting Fees

Name of accounting firm	Name of the accountant		Inspection period	Remarks
Deloitte and Touche Taiwan	Chiang Min-Nan	Shih Ching-Pin	2018	-

Unit: NT \$1000

Interval		Items	Audit fees	Non-audit fees	Total
1	Less than 2,000 thousand			✓	
2	2,000 thousand~4,000 thousand				
3	4,000 thousand~6,000 thousand				
4	6,000 thousand~8,000 thousand				
5	8,000 thousand~10,000 thousand		✓		
6	10,000 thousand and above				✓

(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) 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.

6) 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) Equity changes of directors, supervisors, managers and large shareholders

Unit: Share

Title	Name	2018		As of April 30, 2019	
		Shares holding increase(decrease)count	Pledged shares increase(decrease)count	Shares holding increase(decrease)count	Pledged shares increase(decrease)count
Chairman	Zhou Xun Cai (note 1)	-	-	-	-
Director of Administration Centre	Wu DongFeng	( 101,020 )	-	-	-
Director	Chen Hsiao Hung	-	-	-	-
Independent Director	Chen DongSheng	-	-	-	-
Independent Director	Tsai Chia-Hung	-	-	-	-
Independent Director	Huang Yi-Tsung	-	-	-	-
General Manager	Zhou ZhiHong	( 219,608 )	-	-	-
Director and Topbi (China)	Ni RuiYing	( 104,314 )	-	-	-



Title	Name	2018		As of April 30, 2019	
		Shares holding increase(decrease)count	Pledged shares increase(decrease)count	Shares holding increase(decrease)count	Pledged shares increase(decrease)count
Director of Finance					
Topbi (China) Director of R&D	Guan YouJin	( 101,020 )	-	-	-
Topbi (China)Sales Director	Lin, Yong	( 104,314 )	-	-	-
Topbi (China)Director of warehouse	Yang Wen	( 105,412 )	-	-	-
Topbi (China) Board secretary	Zhuang, LingFeng	( 104,314 )	-	-	-
Director of Audit	Chen Chien Wei	( 10,980 ) -	-	-	-
Director and CFO	Wang Kuan-Hua	( 72,470 ) -	-	-	-
Major shareholder	Topwealth International Holdings Limited (Note 1)	(6,719,383)	2, 450, 000	(594, 000)	2, 980, 000

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

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

7) Information about the shareholders whose shareholding ratio is among the top 10 are related persons or relatives within the range of spouses and parents.

April 16, 2019

Name	Shares held		Shares held by the spouse and minor children		Shares held in the name of others		Among the top 10 shareholders with related parties or to their spouse, relatives within the second-degree relationship, its name and relationship.		Remarks
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name (or Surname)	Relationship	
Topwealth International Holdings Limited	19,890,345	24.07	-	-	-	-	-	-	-
Representative : Zhou Xun Cai	-	-	-	-	-	-	-	-	-
Huaxu International Holdings Limited	1,682,671	2.04	-	-	-	-	-	-	-
Representative : Yang PengXu	-	-	-	-	-	-	-	-	-
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	1,519,372	1.84	-	-	-	-	-	-	-
匯豐託管 ENSIGN PEAK 顧問公司	1,511,636	1.83	-	-	-	-	-	-	-

Name	Shares held		Shares held by the spouse and minor children		Shares held in the name of others		Among the top 10 shareholders with related parties or to their spouse, relatives within the second-degree relationship, its name and relationship.		Remarks
	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Number of shares	Shareholding ratio (%)	Name (or Surname)	Relationship	
匯豐託管摩根士丹利國際有限公司專戶	1,372,582	1.66	-	-	-	-	-	-	-
臺灣銀行受託保管JOHCM國際小型企業股票基金投資專戶	1,161,150	1.41	-	-	-	-	-	-	-
匯豐銀行託管SEBEmgMktfond	1,058,296	1.28	-	-	-	-	-	-	-
渣打國際商業銀行營業部受託保管歐洲瑞士信貸證券公司－文藝復興長期銷售投資專戶	794,285	0.96	-	-	-	-	-	-	-
花旗託管DFA新興市場核心證券投資專戶	685,109	0.83	-	-	-	-	-	-	-
匯豐託管雅凱迪新興市場小型資本股票基金	599,073	0.73	-	-	-	-	-	-	-

- 8) The company, the directors, the supervisors, the managers directly or indirectly control the number of shares held in the same reinvestment enterprise and to calculate the consolidated shareholding ratio

Unit: shares; %

Re-investment (Note)	Investment of the company		Directors, supervisors, managers, directly or indirectly control enterprise investment		Comprehensive investment	
	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. Fund-raising situation

1) Capital and shares

(I) Sources of equity

1. Types of shares

April 30, 2019; Unit: Shares

Type of shares	Approved share capital (shares)			Remarks
	Outstanding shares (Note)	Unissued shares	Total	
Common stock	82,645,080	67,354,920	150,000,000	Shares of listed companies

Note: The outstanding shares include 577,000 untransferred Treasury shares purchased by the company.

2. Equity formation process

April 30, 2019; 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	-

Month of year	Offering price	Authorized capital		Capital paid-in		Remarks		Others
		Number of shares	Amount	Number of shares	Amount	Source of capital	Using property other than cash as equity	
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
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	-

General declaration of relevant information: Not applicable.

## (II) Shareholder structure

April 16, 2019; Unit: Person; Shares: %

Shareholder structure Quantity	Government agency	Financial institutions	Other legal persons	individual	Foreign institutions and foreigners	Total
Number of people	1	1	156	12,537	101	12,796
Number of shares held	281,144	31,500	1,497,207	40,237,484	40,597,745	82,645,080
Shareholding ratio	0.34	0.04	1.81	48.69	49.12	100

Note: Our investment shareholding ratio from China is 0%

## (III) Equity diversification

April 16, 2019; Unit: Person; Shares: %

Shareholding classification	Number of shareholders	Number of shares held	Shareholding ratio
1 to 999	5,920	386,853	0.47
1,000 to 5,000	5,017	9,925,471	12.01
5,001 to 10,000	898	6,312,180	7.64
10,001 to 15,000	339	4,084,124	4.94
15,001 to 20,000	173	2,982,134	3.61
20,001 to 30,000	174	4,214,841	5.10
30,001 to 40,000	78	2,721,435	3.29
40,001 to 50,000	50	2,254,270	2.73
50,001 to 100,000	71	5,097,394	6.17
100,001 to 200,000	39	5,497,820	6.65
200,001 to 400,000	19	4,826,124	5.84
400,001 to 600,000	9	4,666,988	5.65
600,001 to 800,000	2	1,479,394	1.79
800,001-1,000,000	0	0	0.00
1,000,001 and above	7	28,196,052	34.11
Total	12,796	82,645,080	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 16, 2019; Unit: Person; Shares: %

Shares	Number of shares held	Shareholding ratio
Name of main shareholders		
Topwealth International Holdings Limited	19,890,345	24.07
Huaxu International Holdings Limited	1,682,671	2.04
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	1,519,372	1.84
匯豐託管 E N S I G N P E A K 顧問公司	1,511,636	1.83
匯豐託管摩根士丹利國際有限公司專戶	1,372,582	1.66
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	1,161,150	1.41
匯豐銀行託管 S E B E m g M k t f o n d	1,058,296	1.28
渣打國際商業銀行營業部受託保管歐洲瑞士信貸證券公司	794,285	0.96
花旗託管 D F A 新興市場核心證券投資專戶	685,109	0.83
匯豐託管雅凱迪新興市場小型資本股票基金	599,073	0.73

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

Unit: NT \$; Thousand

Items	Year	2017	2018	As of March 31, 2019 (Note 4)
Market value	High	121.50	120.00	89.60
	Low	94.00	81.70	75.90



Items		Year	2017	2018	As of March 31, 2019 ( Note 4 )
	Average		104.92	103.80	84.63
Net value per share	Prior to allotment				
	Post allocation		Note 5	Note 5	Note 5
Earnings per share	Weighted average number of shares		81,639	82,479	82,075
	Earnings per share	Before adjustment	11.81	11.56	2.74
		After adjustment	11.25	Note 5	Note 5
Dividend per share	Cash dividends		4.83	3.15 ( Note 5 )	-
	Free allotment	Surplus allotment	0.50	1.50 ( Note 5 )	-
		Capital reserve rights issue	-	-	-
	Accumulated unpaid dividends		-	-	-
Investment return analysis	PE ratio (Note 1)		8.88	8.98	-
	Principal and interest ratio (Note 2)		21.72	32.95	-
	Cash dividend yield (Note 3)		4.60%	3.03%	-

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) The company's dividend policy and implementation status

##### 1. Dividend policy set out in the articles of association:

In addition to the company law and the listed act, the board of directors shall prepare and submit to the shareholders' meeting the resolution of the shareholders' meeting in the following ways and sequence:

- (a) Tax payable in accordance with the law;
- (b) To make up for the accumulated losses (if any) of the previous year;
- (c) In accordance with the listing law, 10% is the statutory surplus reserve, except when the statutory surplus reserve has reached the paid-in capital of the company.
- (d) Withdrawal of the special surplus reserve in accordance with the provisions of the listing act or the requirements of the competent authority.
- (e) After deducting subparagraphs (a) to (d) above from the current annual surplus, a maximum of 2 per cent is retained as director's bonus
- (f) After deducting subparagraphs (a) to (d) above from the current annual surplus, a maximum of 10% is reserved as employee bonus (including employees of the company and subsidiaries)
- (g) After deducting the surplus of the current year from subparagraphs (a) to (f) above, the accumulated undistributed surplus of the previous period is distributable, and the distributable surplus may be distributed after the proposal of the board of directors for dividend distribution, and sent to the board of shareholders for distribution in accordance with the listing act. The dividend shall be distributed in cash or in lieu of shares, and the minimum dividend amount shall be 20% of the preceding paragraph (a) to (f), and the dividend shall not be less than 10% of the total shareholder dividends.

2. The proposed dividend distribution for the current year:

The proposed earnings distribution plan of the shareholders' meeting is cash dividend 3.15 per share and stock dividend 1.5 per share, as determined by the board of directors of the company on April 30, 2019. 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	
	2019	
Initial paid-in capital (\$)	826,450,800	
	Cash dividend per share (\$)	3.15

Items		Year	2019
		Shares allotment this year (Note 1)	Surplus to increase capital, share allotment (Shares)
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	
	If capital reserve is not handled to increase capital	Planned earnings per share	Not applicable (Note 2)
		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 2019.

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 2019, so there is no forecast data.

(VIII) Remuneration for employees, directors and supervisors

1. The remuneration of employees, directors and supervisors as set out in the articles of association: Please refer to (6) the company's dividend policy and performance statement.
2. The estimated amount of remuneration of employees, directors and supervisors in this period shall be calculated on the basis of 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 2018 shall be NT\$ 3,192,000 as agreed by the board of directors on March 25, 2019. 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:

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
Expected type and quantity of repurchased shares	1,100,000 common shares
Type and quantity of actually repurchased shares (share)	577,000 common shares
Average price of repurchased shares (including transaction fees)	NT\$83.29
Amount of repurchased shares (including transaction fees)	NT\$48,058,832
Number of shares canceled and transferred	0 shares
Accumulated quantity of NTC shares held	577,000 shares
Accumulated quantity of NTC shares held to total outstanding shares (%)	0.70%
Reason for incomplete share repurchase after the repurchase period expired	Take into account the market mechanism, buy back in batches according to the stock price and trading volume, so it is not completed.

- 2) Company debt situation: None.
- 3) Special share handling situation: None.
- 4) Overseas deposit certificate processing status: None.
- 5) Employee stock options: None.
- 6) Restrictions on employees' rights to new shares:

Restrict employee rights to new shares	The second time (period) which limits employee rights to new
Declared date of entry	July 17, 2017
Date of issue	September 11, 2017
Number of restricted new shares issued	1,406,000 shares
Issue price	Free allotment
The ratio of new shares to total shares issued by the bank to restricted employee rights issue	1.7863%
Employee restricted rights to new shares, conditions	Six months after the expiration of the term of office, the new shares shall be limited to 100%.
Employee's restricted rights to new shares, restricted rights	The shares issued to the employees are common shares, and their rights and obligations are the same as those of other foreign common shares except for subparagraph (6).
Employee's restricted rights to new shares, custody status	After the issuance of the restricted employee rights new shares, the employee shall deliver the restricted employee rights new shares to the trust or custody in accordance with the agreement, and shall not request the trustee or depository bank to return the restricted employee rights new shares for any reason or in any way until the existing conditions are fulfilled.
When an employee is allocated or subscribed for a new share, he/she fails to meet the existing conditions	<ol style="list-style-type: none"> <li>1. If the employee voluntarily terminates his/her employment, dismissal, severance or termination of his/her employment, he/she shall be entitled to the share of the company which has not been already acquired before.</li> <li>2. Restricted employee's rights to new shares that have not met the conditions may participate in the rights issue of the company and shall not participate in the interest distribution of the company.</li> <li>3. Before the completion of the acquired conditions, the employee shall terminate the company's authorization in violation of subparagraph (7) of this article, and the company shall recover free of charge.</li> </ol>

	<p>4. For new shares of restricted employee rights that have not met the conditions, the company shall, in accordance with the agreement of the issuing, take back the shares of the employee free of charge and cancel the shares.</p> <p>5. During the suspension of the transfer of shares of the company, employees who have reached the conditions agreed upon during this period shall still not have the right to vote, to recognize shares and to distribute interest, 15 business days prior to the closing of the transfer.</p>
Number of new shares recovered from restricted employee's rights to new shares	0 share
The number of shares in which the restricted rights have been lifted	1,406,000 shares
The number of shares in which the restricted rights have not been lifted	0 share
Ratio of new shares (uplifted) to the total number of issued shares	0%
The incisive impact on shareholder rights	On March 8, 2017, the company issued a total of 70,276 thousand shares, which affected the diluted annual earnings per share of the company by about NT\$1.82 and NT\$0.36, respectively in 2017 and 2018

7) The case of merger or acquisition or the issuance of shares by shares of other companies: No.

8) Implementation of capital utilization plan: Not applicable.

## 5. Operation overview

### 1) Business content

#### (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. Business ratio

Unit: NT \$ (thousand)

Year Product name	2017		2018	
	Amount	Ratio %	Amount	Ratio %
Children's clothes	5,916,268	100	6,764,779	100

##### 3. The company's current Commodity items

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

##### 4. New products planned for development

In 2019, 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 Chinese 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 profile

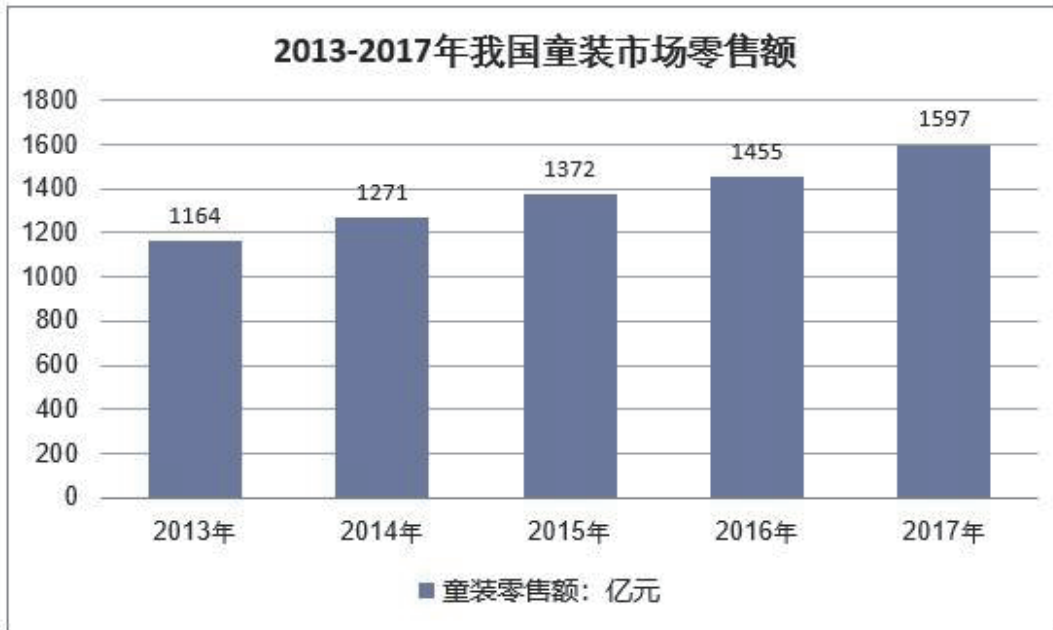
### 1. Current situation and development of the industry

#### (a) The current situation of China's children's clothing industry

##### ① The market for children's consumption has maintained a steady growth in recent years

Data show that in recent years, the proportion of children's industry in shopping center has increased from 8% in 2012 to 20% in 2017. After the one-child policy was adopted in 2013, the birth rate began to rise in 2014. However, the number of one-child families was limited, and the birth rate fell in 2015. In 2016, the number of people who benefited from the universal two-child policy increased, and the birth rate increased significantly. The birth rate of newborns reached 12.95%, exceeding 17 million for the first time. With the continuous implementation of the family planning policy, the number of newborns is expected to further increase in the future, and the demand for children's clothing will be further released.

In recent years, China's children's clothing industry has achieved rapid growth, and the policy of encouraging childbearing is expected to further release the consumer demand for children's clothing. In 2017, the retail scale of China's children's clothing market reached RMB 159.7 billion, with a year-on-year growth of 9.76% and a compound growth of 8.23% in the past five years. However, the overall retail scale of the clothing industry grew only 1.36% in 2017, and the growth rate of children's clothing retail sales was significantly higher than that of the overall clothing market.



② The focus of market competition will shift from focusing on products and channels to focusing on brands

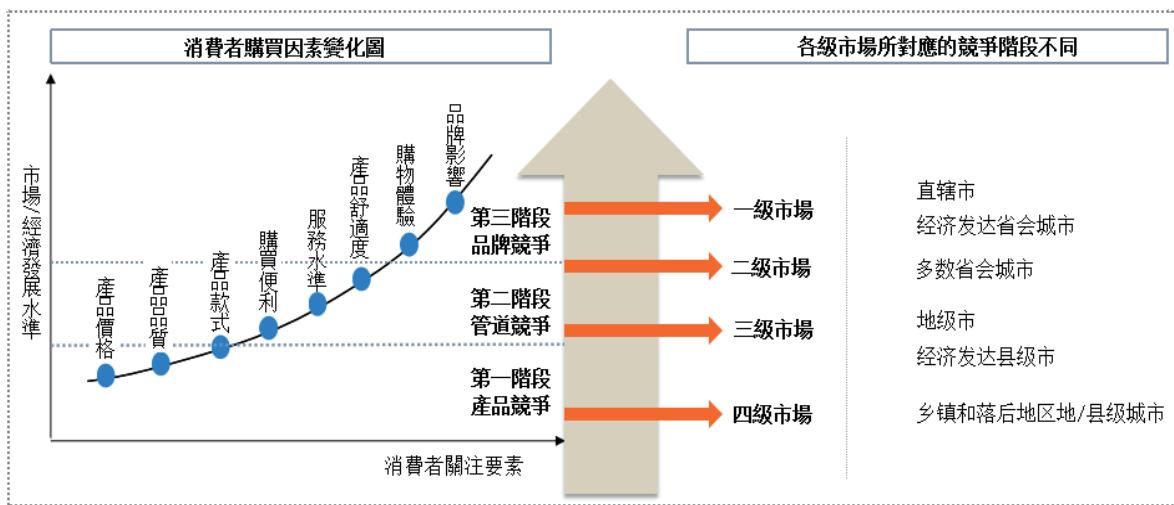
China's children's clothing industry basically formed four production bases around year 2000, namely Foshan in Guangdong, Huzhou in Zhejiang, Shishi in Fujian and Wuhan in Hubei. Shishi and Wuhan children's clothing industry gradually tend to be weak, Foshan and Huzhou more big and stronger. At the same time, the children's wear industry in Dongguan has become one of the new rising children's wear bases with its own advantages.

At present, most of the children's wear enterprises in Dongguan are mainly engaged in foreign trade. The number of enterprises is small, but the scale is relatively large. They have been producing high-grade children's wear products. Foshan children's clothing enterprises are mostly concentrated in the ring town, to produce middle-grade children's clothing. Huzhou children's clothing enterprises are also basically concentrated in the town of Zhili. The number of garment enterprises here is the largest in the country, but small garment enterprises account for the vast majority. Zhili children's wear products are mainly concentrated in denim, leisure, sports and other woven fabric products, the main domestic mid- and low-end market. Children's clothing produced in the country generally through the children's clothing wholesale market across the country into the retail sector, most of the products in the second - and third-tier cities sales. It is understood that the domestic market coverage rate of Zhili children's clothing was as high as 98%.

However, throughout the domestic children's wear market the real meaning of the domestic brand has not formed. The main reason for this is that the scale of children's clothing enterprises is generally

not large, there are still many OEM, unlicensed and unlicensed factories, and there is a serious shortage of designers in children's clothing enterprises and serious homogenization competition among enterprises.

The new baby boom has brought infinite business opportunities to children's clothing brands and unprecedented competition to the children's clothing market. The price of raw materials keeps rising, the production cost keeps increasing, the promotional activities become more and more intense, the changing trend and consumer demand make the future of children's clothing industry have great challenges. Most of the new generation of parents live in the era of material prosperity, the demand for children's clothing also from the simple focus on the practicality of children's clothing to pay attention to the quality of clothing and brand of children's clothing. They have higher and higher requirements for their children's clothes, and their awareness of brand consumption has gradually increased. If the operation of children's clothing is to adapt to the new consumption mode, it must change the previous product consumption that only relies on decentralized operation to earn profit, without brand or scale. The brand management strategy is gradually transformed into an integrated management mode to create and form its own brand, and strive to maintain the brand culture, promote the brand through multiple channels, ensure the quality of its products, and constantly optimize the brand management system.



When the consumption upgrade, children's wear has big potential in market. In recent years, domestic residents' living standards have been improving and their per capita disposable income has been rising. In 2017, the per capita disposable income of residents in China was RMB 36,396.19, up 8.27 percent year-on-year, and the five-year compound growth rate was 7.80 percent. The per capita disposable income of residents drives the improvement of consumption level. In 2017, the per capita consumption expenditure of residents was RMB 24,444.95, an increase of 5.92% year on year. The improvement of income and consumption level will certainly drive the growth of children's clothing

industry. On the other hand, the "post-80s" and "post-90s" of the proper age of marriage and childbearing have superior growth environment, higher requirements on the quality of life, more attention to the concept of good birth and price sensitivity to children's consumption. At the same time, the per capita consumption of children's clothing in China is relatively low. In 2017, the per capita consumption of children's clothing in China is 19.2 dollars, that in Japan is 57.8 dollars, that in the United States is 98.2 dollars, and that in the United Kingdom is 117.4 dollars. The per capita consumption of children's clothing in China is only one third of that in Japan.

(b) The policy and development of the China children's clothing industry

① Industry pattern gradually become three-dimensional fullness

Product segmentation, brand positioning, marketing mode, market channels and other ways of subdivision will make the children's wear industry developing rapidly. There are a variety of marketing models, different scales, engaged in various industry segments in the horizontal industrial chain, but also leading brand enterprise groups, regional market brands, processing enterprises, industrial clusters and other vertical chains, capital, design, professional marketing and marketing teams intersperse among them.

② Multi-brand, collectivization development trend

With the in-depth segmentation of the domestic children's wear market, the sustainable development of multi-brand collectivization has become a trend. Only by realizing the efficient integration and effective management and control of various resources in the upstream and downstream of children's wear nationwide and even globally, can the company maintain a higher market share in the segmented market. At the same time, Chinese children's clothing brands will also get more diversified and extensive business development opportunities, and more "commercial" enterprises such as brand integration stores, SPA mode, and flashlight buyers will be generated accordingly.

③ Modernization, capitalization development trend

In recent years, more and more children's wear enterprises into modern enterprise management concept, the implementation of modern enterprise management system, to digital, intelligence, information management concept to redefine the enterprise production and operation. Some advanced enterprise capital formation has been implemented or are in the "industrial capital and

commercial capital and financial capital" direction. In the future, the industry concentration will be further improved, and the intensive development trend will be more obvious.

#### ④ Industrial cluster transformation and scientific development

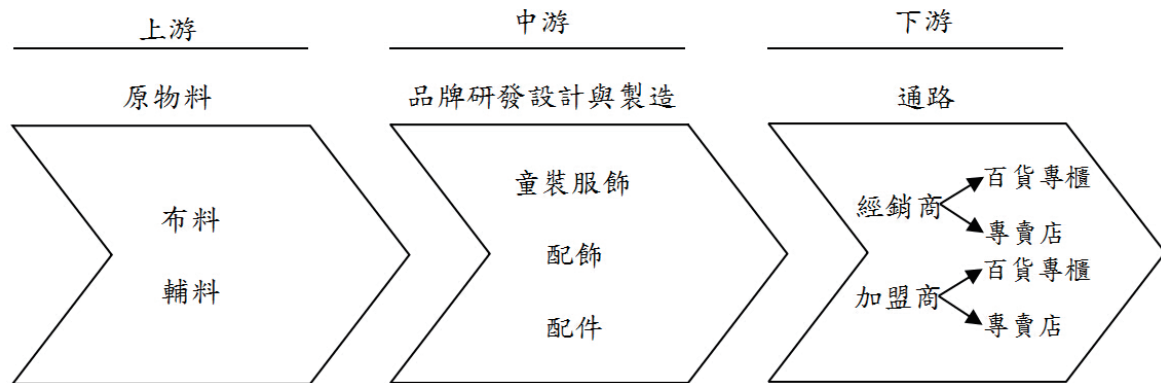
With the increasing competition in the market, the development of industrial clusters is facing severe challenges from domestic and foreign markets and their own competitiveness. Transformation and upgrading of industrial cluster to specialization, marketization of public service platform construction as the means, encourage enterprises to product innovation, technology innovation, management innovation, marketing model innovation, guide the industry chain extension and high-end development, formation and, in collaboration with layered medium enterprise competition as the main characteristics of the emerging competitive cooperation system.

Although China's children's clothing market potential space and capacity is huge, but the late to start, low market concentration. Children's wear market brand is numerous, professional children's wear brand and adult wear brand extension common competition. Compared with the rapid growth of the children's clothing market, the adult clothing market tends to mature. Many domestic and foreign adult clothing brand enterprises have entered the children's clothing market, the industry competition is increasingly fierce. Most international brands are positioned in the high-end children's wear market, among which children's clothing brands such as Adidas Kids and Nike Kids, which are extended by adult sports brands, mainly focus on children's sportswear with sports functions. Gucci, Dior and other brands focus on high-end fashion children's clothes. Domestic brands mainly focus on the middle and low-end children's wear market, and some brands with strong strength have gradually positioned themselves in the middle and high-end market. Professional children's wear enterprises have accumulated a lot of experience in the consumption characteristics of children's wear industry and have certain competitive advantages.

Children's wear industry is still in the growth stage, the future market space is larger. From the perspective of industrial life cycle, compared with men's clothing and women's clothing industry, China's children's clothing industry is still in the growth stage, with continuous development and rapid growth of market demand and large space for growth. Therefore, from the perspective of the whole market, the subsequent market size of children's clothing category will gradually grow. At the same time, with the improvement of people's living standards, children's clothing consumption is increasingly becoming one of the important expenditures of domestic family life consumption.

## 2. The relevance of industry upstream, midstream and downstream

The operation mode of children's clothing industry mainly includes research and development design, processing and production, and channel sales. The correlation between upper, middle and lower reaches is shown in the figure below



Our company ranks in the middle of the industry. The operation mode is mainly after the development of the goods. Once the supplier is commissioned to process and produce the products, the distributor will sell the products after the completion of the production. The firm is focusing on the financial resources in the industry chain, which can affect the performance of the product, to get a higher rate of return, and therefore, in advance of the design and the marketing of the product, it has to increase the added value of the product, which is the main focus and development of the corporation. However, the company still has to face the industrial changes and operational risks of upstream and downstream: For the control of processing and manufacturing suppliers, as well as their bargaining power and the uncertainty of market environment as the upstream raw material supply cost increases and the supplier's bargaining power improves, it will inevitably bring profit impact to the middle and downstream enterprises. The control of dealers, their loyalty to brands and their focus on short-term benefits are all potential influencing factors of channel risk. In addition, if the franchisee violates the contract or fails to meet the requirements at the management level, it will have a negative impact on the sales revenue of the enterprise.

### 3. Product development

#### (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.

#### A. Use the comfortable fabric

##### (a) Fiber selection

Fiber is the raw material of the fabric, and its wear ability directly affects the performance of the fabric. According to the physiological characteristics of children, natural fiber with strong hygroscopicity, good air permeability and small irritation to the skin should be selected. This is because most of the chemical fibers extracted from oil, natural gas, skin irritation; Secondly, the moisture absorption of synthetic fiber is small, poor air permeability, hinder the evaporation of sweat, and synthetic fiber electrostatic dust is more serious. Because the children are active and lively, cotton fiber should be used in natural fiber, it is not only taking good performance, but also soft and strong, the price is low, suitable for washing.

##### (b) Knitting

Due to many aspects of human movement, Multi-angle and large bending, requires that clothing has certain extensibility. For active children, stretch knitted fabric with good performance is better than machine fabric, and its flexibility ensures that the clothing can freely comply with human movement, without binding the body and affecting the development of children.

##### (c) Stain fastness

Due to the large amount of children's activities and the tendency to sweat, clothes should be washed and changed frequently, so the requirements of color fastness of dyes are higher. At least to ensure the color fastness of the fabric is 3 ~ 4 grade, and the stained with color 3 ~ 4 grade above. The color fastness of the fabric includes resistance to washing, abrasion, perspiration and sun exposure. For infants, clothing fabrics should also consider their saliva color fastness.

#### B. Comfortable style design

In the design of children's clothes, the first thing to consider is whether the clothing has enough slack, because the tight clothing for children's body will produce oppression, affect the development of their internal organs, bound children activities. Furthermore, the pressure of clothing is concentrated on the shoulders and waist. If the pressure is too high, it will affect the blood circulation and breathing movement of children. As the child's body is not fully developed, the waist curve is not obvious, so the



elastic belt of the waist is too loose, pants or skirts are easy to fall off. If be too tight, can cause the waist stress. So should design some more braces skirt and pants. In addition, the tops should adopt the cardigan design. Compared with the face of the headgear, it is not only convenient to wear and take off, but also conducive to the habit of cultivating children's own clothes. When designing the children's wear, should not only consider the design of outlook style, but also consider about the children's physical characteristics.

(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. In the first two years, only the children's outfit of foreign trade inn has casual style, but size is limited to an infant only. Over the past year, the children's outfit on the market is casual series had held fair share, major shopping malls have opened up 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's 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.

Leisure children's wear fabrics are soft fabrics that absorb sweat, breathe freely and have little stimulation. Such as pure cotton, polyester cotton, wash cloth, double flannel, thin flannelette, as well as the very casual of the grid cloth, corduroy, denim. And more use neutral tone, pure color, such as black, white, gray, yellow, avoid excessive gorgeous color, but also make full use of peach, green fluorescence color. Coat and jacket more use new style to glance and fluorescent fabrics, ready-made clothes effect is marked, eye catching, make children easy and conspicuous outdoors and avoid being bumped. In the pattern design, the flower animal pattern is abandoned, and the vivid cartoon, foreign language letter and other more abstract patterns are replaced. The Donald Duck in cartoon, small stupid bear, machine cat is made nifty and lovely by making full use of stick cut, pressing bubble craft. On the design also pays attention to the clothing form a complete set, matches the underwear, the sun hat, the waistcoat, the belt, the belt and so on.

Because the children's clothing of athletic flavor holds a simple, comfortable, recreational wait for multiple characteristic concurrently, suit the child to wear especially, had indispensable effect in children's clothing. 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. More than that, the processing of children's wear, fabrics and design are becoming more exquisite. This New Year, Spring Festival "tang suit" hot, there are also a lot of "tang suit" in children's clothes. For example, in the last few years, the white gauze skirt became popular. The same style and quality of children's clothes also appeared sooner. All these show that children have their own opinions on clothes, and they also hope to win the admiration and admiration of their classmates and partners through their favorite clothes.

(d) The demand for personalized, internalization direction

In the consumer of children's wear, rational, sober purchaser is increasing. From being wearable to having to be beautiful, comfortable and easy to rinse (because children are active and clothes tend to get dirty), consumption is moving towards personalization and intellectualization. This makes children's wear market appeared a few new changes. Above all a lot of consumer to no longer requires the gaudy bright-coloured color, there are many gray, black, brown in children's outfit more mature, dignified color, but the lively and easy that shows children's outfit through design and adornment and " western style ". Next, children's outfit is very exquisite collocation, whether a dress is good-looking, should look to match the pants of what kind and shoe, coat wants to be harmonious with shirt, scarf, the person that buys two pieces set, and 3 pieces set. The difference between famous brand children's wear and non-famous brand mainly lies in their inherent quality, and they can meet this rational purchasing demand.

(e) 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 wear refers to a toxicology test and clothing with appropriate signs .Ecological children's wear must meet the following conditions: there is no pollution to children, animals and plants

in the entire production and processing chain from raw materials to finished products; 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.

From the perspective of modern agriculture and textile industry, it is difficult to completely get rid of environmental pollution in the whole process of production, processing and post-processing from raw materials to finished products, and it is also difficult to completely avoid harmful substances in clothing materials. Therefore, ecological clothing in a complete sense is rarely seen at present. However, since the German government regulations issued to ban the use of toxic azo dye, consumer ecological clothing trend in the world has become an unstoppable trend. Some developed countries, especially in the United States, Netherlands, France, and all the world's textile import countries have been introduced to ban the production and distribution of hazardous material textiles, the import of clothing textiles is increasingly demanding. The European parliament of the single market has even adopted a resolution (redbook) on the denial of entry to potentially harmful substances and decided to introduce a pollution-free inspection system for goods in the market. Authorities will conduct random sampling inspections of goods in retail stores and impose penalties on goods that do not comply with the law, including fines, imprisonment and unconditional destruction of goods. The promulgation and implementation of these laws and regulations will certainly promote the consumption trend of ecological clothing.

Since the launch of Eco-garments on the international scene, manufacturers have made diligent efforts to achieve this, without losing the opportunity to market the products of their own research, such as pure natural fiber fabrics, non-carcinogenic ecological dyes, etc. Currently, foreign countries have already developed clothing that can be decomposed or recycled have , in order to avoid the pollution caused to the earth by household garbage; the development of functional clothing is a breakthrough, such as light absorption khaki sportswear, and high strength thin body armor has been available. Even if the washable anti fouling clothing, from the perspective of ecological also can significantly reduce the use of water and detergent, achieve the goal of protection of resources, reduce the pollution of the river. According to reports, at present has developed international public ecological clothing has deodorization, antibacterial, anti-inflammatory, anti-UV, radiation protection, itching, heat resistance, and promote micro circulation and other functions, although some products in the start-up phase, but ecological clothing market consumption will become the mainstream.

#### 4. Product competition

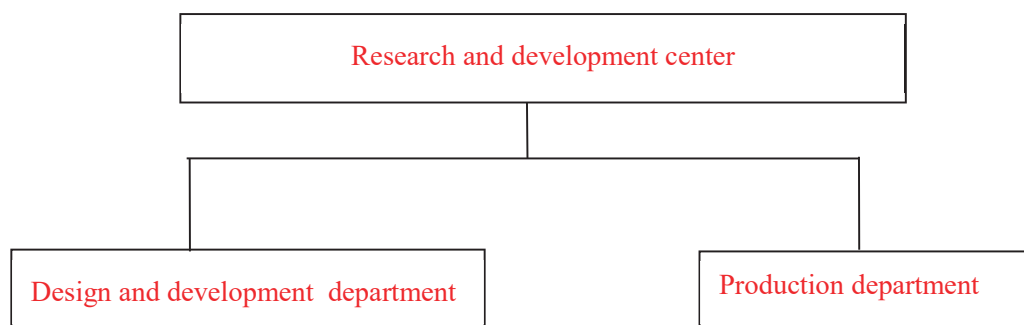
Area	Market positioning	Main competitive brands	Consumer groups	Brand image
East China	Middle end market	巴拉巴拉	Children aged 3-12, middle class and well-off families	Freedom, casual, fashion, health, sports, category complete, diverse and unrestrained style.
East China		安奈兒	Children between 2 to 12 years 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.
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		2016	2017	2018	First quarter of 2019
Employee number	Initial Numbers	45	44	44	43
	New in	0	1	3	-
	Dimission	1	1	4	-
	Severance and retirement	-	-	-	-
	Final Numbers	44	44	43	43
Dimission Rate (Note)		2.22	2.22	8.51	0
Average seniority (Year)		6.24	8.25	8.66	9.33
Education distribution	Dr's degree	-	-	-	-
	Master's degree	-	-	-	-
	Bachelor's degree	5	5	6	6
	Specialty (including the following)	39	39	37	37
	Total	45	44	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)

Year	2018	First quarter of 2019
Project		
Research and development costs	84,032	18,626

#### 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

##### (a) Brand culture strategy

At present, China children's wear industry market competition has been from the material level of the product competition transition to the psychological level of cultural competition, competition and psychological culture needs integration of emotion, children's wear enterprises have not only sold children's wear products, but also sold brand culture. Market competition is not only product

competition, but also psychological and cultural competition. Companies need to form a more effective competition advantage in brand culture shape.

(b) Production management strategy

The company will set up an efficient and large-scale operation model to reduce costs and strictly control costs. Cost of managing expenses, development, service, promotion, advertising, etc. In order to guarantee the quality of the products and services, the price of the products and the competitors can be made more cost-effective to enhance the reputation of the products and increase the percentage of the market.

(c) Differentiation competitive strategy

The company will be conducted in the way of having a unique style marketing activities, strive for in such aspects as product or service is unique or differentiated, to create a product or brand image that is unique and highly recognizable in the child's clothing industry, give consumers an interest and eliminated the ability to match the price, make the difference in the market.

6. Business goals

The company plans to improve its brand image, expand its sales network and actively increase its market share. To achieve the better business performance feedback to shareholders, better fulfill their social responsibilities, sets up the profession model for China children's wear industry.

(IV) Long- and short-term business development plan

1. Short term business development plan

① Promote brand diversification of Amoy group

In 2018, the company will make full efforts in the field of e-commerce, cooperate with online agents, and make great achievements in receiving goods through Tmall, Taobao, JD and other channels. Consider constantly expanded online revenue and brand long-term development in the future, to avoid the defects in the process of online synchronous development, adapt to online channels faster product repeatedly operation cycle, since the start of the year, 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. Mini Topbi products will be targeted at children aged between 80 cm and 120 cm. Through the way of sales and production, we fully cooperate with the needs of online agents, and face online channels with the shortest design cycle, the fastest turnover mode and

the highest quality requirements. In the process of synchronous development of entity brand Topbi and e-commerce Mini Topbi, we realize that multiple brands do their own jobs, online and offline do not interfere with each other, rely on product category refinement, fill market segments, and help Topbi develop with complete shopping experience. In the future, Topbi brand will not only through the terminal and consumer interaction, but also through animation and cartoon marketing, Internet marketing, fast fashion marketing, experience marketing, custom marketing and other integrated marketing methods to spread brand culture, enhance brand image, the company will integrate the advantages and diversified development.

② 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. With the continuous growth of 25 agents, the addition of new agents in the future is bound to Topbi's logistics warehousing and distribution of goods form a huge test. In the situation of the company's growing strength and the increasingly perfect marketing network, to further expand and strengthen, we must have a strong logistics distribution force to support, and it is urgent to form a new integrated management mode integrating information, procurement, transportation, warehousing and other logistics activities. 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.

③ 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 2018, the number of agents' terminals will be close to 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 2019, the company intends to continue to expand the occupation of the domestic blank market, is expected to add at least one provincial agents. 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 next 12 months and even 24 months and ensure that the company's business is always operating in the first place.



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

### (I) Marketing analysis

#### 1. The main sales areas

Unit: NT\$ (thousand)

Region	2017		2018		First quarter of 2019	
	Mainland China	5,916,268	100%	6,764,779	100%	1,342,590

The company's main sales region is in mainland China, as the China market is vast, our company mainly sells products to the final consumers through agents. Currently, agents are distributed in 16 provinces and 3 municipalities directly under the central city. The company maintains its outstanding corporate image through regular systematic training activities including marketing, product display design and inventory management.

#### 2. Market share

Since 2014, the overall trend of the clothing industry has been slowing down, but the gloomy clothing industry cannot stop the rapid growth of children's clothing industry. As one of the most promising industries, the children's wear market will continue to grow benefit from the shift in the consumption concepts of parents born in the 1980s and 1990s, as well as the two-child policy was launched.

Compared with the huge children's wear market, there are 45,000 garment manufacturers in China, but there are less than 200 children's wear professional manufacturers with their own brands in 2016, accounting for only 0.44%. In 2018, the number of Balabala stores, which is the number one in the children's clothing market, reached nearly 5,000, with annual sales exceeding RMB 7 billion, maintaining a growth rate of more than 20% for three consecutive years, and becoming the leader of children's clothing brands in China with a market share of more than 4%. According to the data, the China child market scale in 2018 will be nearly RMB 200 billion, and by 2021, it will reach nearly RMB 280 billion, a huge increase in space of China's children's clothing industry for the next five years to develop new opportunities and challenges. The company's sales volume in 2018 is about RMB 1.489 billion, and the company's market share and the leading market share of Balabala are no more than 4%.

#### 3. The supply and demand situation and the development of the market in the future.

At present, China's children's wear market has entered a period of rapid growth, but the scale of children's wear enterprises is generally small, the market share and competitiveness of a single brand is limited. At the same time, changes in consumer demand lead to increasingly complex competitive components, market competition pressure accelerated the depth of children's wear market segmentation, but also narrowed the market space of a single brand. In this industry background, children's wear enterprises must be innovative thinking to meet the challenge. Brand pattern is forming, monopoly national children's wear brand, strong regional brand, agent brand and retailer brand is about to appear.

The brand forms the echelon pattern from the region, the class, the style type and so on many levels. To this, children's wear enterprises must be accurate positioning and clear brand development direction. The first-tier market will be divided equally between domestic powerful and competitive local brands and foreign high-end brands, to break the current foreign brands dominating the first-tier market: Second and third-tier brands will be dominated by local mass brands or regional brands with unique scale; The wholesale market will appear excellent quality, pay attention to the brand image of the wholesale brand.

Children's wear mainly refers to the clothing of people aged 0-16 years old. It is divided into high-end children's wear market, middle and high-end children's wear market and low-end children's wear market according to material, price and design, and has developed rapidly in recent years. Different from adult clothes, consumers will consider factors such as comfort, quality, brand and stuffing comprehensively when purchasing children's clothes, instead of just "good-looking". This is because children are in the growth stage, the requirements for intimate clothing higher, both to ensure that the comfort level, but not to harm the health. The different concept of children's wear purchase creates huge potential demand for the brand children's wear market.

With the upgrading of consumption, the improvement of residents' income level and the awakening of health awareness, the market demand for brand children's clothing will be released gradually. However, China's children's wear market product level is still dominated by low-end, high-end brand children's wear demand has not been fully released. In 2015, China's children's clothing retail volume was 2.315 billion pieces, the size of the children's clothing market reached RMB 137.2 billion, an increase of 8% year-on-year. Among them, the retail scale of high-end children's wear is RMB 14.4 billion, accounting for a very limited proportion. From the perspective of industrial life cycle, children's clothing industry is still in the growth stage, with rapid growth of market demand and huge room for growth. With the implementation of the universal two-child policy, the prospect of children's clothing industry can be expected. According to the above report, the market size of China's children's clothing

industry will exceed RMB 150 billion in 2017. High-end children's wear segment is expected to benefit from this, and usher in rapid development.

On a global scale, brand children's wear industry is very potential. On the one hand, the brand children's wear gradually developed into gifts and the sales volume of children's wear increased. On the other hand, with the concept of healthy life, leather brand children's clothing demand will usher in the outbreak. The bright prospect of brand children's wear attracted numerous adult brands to enter bureau, the international luxury brand such as Burberry, Gucci enters children's wear domain in succession even, open up children's wear product line, the children's wear boutique shop of each district subsequently and ceaseless emerge. Relatively, the domestic brand children's clothing industry is mainly small and medium-sized enterprises. With the rise of children's wear brand market, it is expected the quality enterprises will stand out, and even compete with international brands.

In general, with the increase of middle- and high-end-income families, brand children's clothing market is expected to usher in explosive growth in the next few years.

#### 4. Competitive niche

(a) The company will add new direct channels to steadily cooperate with agents to explore the China children's wear market

Due to the huge market space of children's wear in mainland China, there is still a considerable gap in the domestic market for Topbi brand development. More than 1,600 terminal branches of 25 agents only cover the first and second tier cities in 15 provinces and 3 municipalities directly under the central cities in mainland China. More than half of the children's clothing market in 34 provinces, municipalities and autonomous regions in mainland China has not yet been covered. This includes the population and GDP of the most developed regions of China, like Beijing, Guangdong, and the Shijiazhuang, Harbin and so on, and the city has not yet set up a channel for sale. Under the background of rapid growth of children's clothing industry, relying entirely on agents to expand the market is still a bit conservative. On the premise of sufficient funds and sufficient preparation, companies can explore emerging markets more quickly and directly. Therefore, in the future, the company would like to cooperate with the agents to jointly explore the market through direct marketing and set up the Topbi brand life experience store in the blank area or the key image area of the agents. The store is open in the vicinity of a large business circle or important commercial block with a nature of life experience hall large stores. Compared with ordinary stores, Topbi brand life experience store not only has the sales function, but also sets up children's game area in the store, providing children with entertainment space and snacks, and providing parents with free Internet and other life experiences. Attract consumers remain in the store for a long

time to login Topbi website and download new APP. In this mode, stores will no longer be limited to static offline experience, and will no longer be a simple shopping venue. Instead, shopping will be able to surf the Internet and relax at the same time. Scan Topbi APP commodity, or direct phone orders, express to home, this will undoubtedly increase Topbi products online and offline sales.

(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 company's directly operated life experience hall can deliver TOPBI's latest product design, corporate advertising and other brand promotion methods to consumers as soon as possible in every season, so as to achieve full coverage of TOPBI's brand image and effectively improve TOPBI's popularity and reputation. The change in consumption patterns has accelerated the growth of the China child's clothing industry into a new era, the quality and marketing services are increasingly being appreciated by the parents of 80, 90, and in the interest of multi-consumer demand, TOPBI has continued to promote the overall image of the TOPBI brand and its innovative style. From the second half of 2019, the eighth-generation style image store will be launched. The new image of this generation will highlight the simple, light and fashionable product style of Topbi, highlight the dynamic streamline modeling, and be close to the aesthetic philosophy of young parents born after 1990. The brand new image will help to fully present the TOPBI brand product design concept and cabinet lighting, and further combine the online sales layout, fully cater to the upgrading of China children's wear consumption channels, enhance consumers' adherence to TOPBI brand, and become a leading enterprise in China's children's wear industry

(c) Excellent marketing team effectively to develop a wider range of domestic market

So far, children's clothes industry is at a rapid growth stage in China, TOPBI is also on the fast expansion stage, and many markets have not been developed yet. Instead of waiting for the undeveloped market to familiar TOPBI brand, then finding the appropriate agent, we should take the initiative. Relying on the strong market expansion ability of the company to directly lay down the TOPBI brand life experience store to the undeveloped area ,expand and coverage the company's sales network .In that way, we can open up the local markets quickly, fill in the gaps, increase the size of the market, increase the volume of the market, on the other hand, we can provide a more intuitive understanding of the firm's opportunity to provide a potential agent with the help of the studio's living experience. In addition,

mastering many high-quality stores can effectively improve the company's control over market terminals, to prevent new agents or weak agents from following up the rapid expansion of the company. With the good market management team, the sales department of the firm is available to get the information from the market, and the Marketing Department, the research and development center will be able to get the product feedback most immediate from customers. At the same time, it can be a quick, thorough, and accurate way of understanding the changing direction of consumer needs, to fully exploit the consumer's needs and set the target's customer base, and to deliver more accurate customer marketing, provide a reliable source of information for the firm to develop a more comprehensive domestic market development strategy.

(d) Launch new sub-brands to enrich the children's wear product line

Starting from 2019, the company will do a good job in addition to the main business, research and layout of market segments, through brand extension, enrich the product line, launched specializing in online channels of e-commerce brand - Mini Topbi. Mini Topbi products will be targeted at children aged between 80 cm and 120 cm. Through the way of sales and production, we fully cooperate with the needs of online agents, and face online channels with the shortest design cycle, the fastest turnover mode and the highest quality requirements. In the process of synchronous development of entity brand Topbi and e-commerce Mini Topbi, we realize that multiple brands do their own jobs, online and offline do not interfere with each other, rely on product category refinement, fill market segments, and help Topbi develop well in the next decade with complete shopping experience.

5. The advantages, disadvantages and countermeasures of development vision

(a) Favorable factor

A. Population policy gradually let go of continue to promote children's clothing market growth

Driven by the consumption upgrading, the local children's wear industry 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. The per capita disposable income of urban residents in China increased from RMB 10,493 in 2005 to RMB 36,396 in 2017. The improvement of the overall income level of urban residents led to the rapid improvement of the consumption level. The per capita consumption expenditure of urban residents increased from RMB 7,942 in 2005 to RMB 24,445 in 2017; On the other hand, the "post-80s" and "post-90s" entering the peak period of marriage and childbirth will also strongly promote the growth of children's clothing industry. "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. China's 11th five-year plan is put forward: to reform, development and benefit the people, narrow the gap between the rich and poor and between urban and rural areas, and improve the income level of low-income people. In the next five years, when social and economic development reaches a certain stage, it will inevitably bring about significant changes in the social structure, production and consumption patterns. People's lifestyle will change from subsistence to quality of life. When the income level of the residents increases, it will directly promote the improvement of consumption capacity, and increase in the consumption demand of children's clothing market. 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.

China is going to be basically four modernization by 2020, and the country has set up a series of policies to try to narrow the gap between the city and the countryside, and in the next decade , the development of urbanization in various areas, it will increase the demand for consumer demand. Urbanization is expected to reach about 46% by 2010 and 55% by 2020. In the implementation of the development and construction of urbanization, through the gradual transfer of rural population to cities and towns, the agricultural production gradually changes to the implementation of industrial production and service transfer policies, so that the rural population in this part will have a steady income in the industrial adjustment, the living standards and quality of life of their families will be gradually improved

when their income reaches a certain level. As a result, this part of the family will also change the concept of children's clothing and commodity demand, from the current stage to meet the basic needs of food and clothing consumption, gradually to the pursuit of quality of life brand consumer demand, and they will become a potential consumer group in the children's clothing market. According to the statistics of relevant departments, 90 million of China's 110 million rich rural labor force now live in cities. When this potential consumption demand is translated into actual consumption demand, it will help expand the consumption demand of children's clothing in this market.

C. The new national standards for children's wear will be implemented in 2016, and production enterprises will face reshuffle

For most parents, compared with the price and style, the most concern is the safety of the children's clothes. Recently, the national standards committee issued "technical specification for infants and children textile product safety (hereinafter referred to as the "specification"), children's clothing "new GB" in June 1, 2016 formally implemented, and after two years of transition, the June 1, 2018, all related products on the market must conform to the requirements of the "specification", perhaps this will bring the industry reshuffle.

"The regulation", 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.

In fact, most parents in the purchase of time is mainly to see whether the material is pure cotton, few people will notice the sign. Parents are increasingly concerned about the safety of the clothes, like the ones that used to wear a string of hooded hats and a lot of parents who love to buy their kids, but they don't buy them now.

The profit of children's wear brand is not higher than that of adult brand, because children's wear in design, material, workmanship and other aspects of higher requirements than adult clothing. For our costumes, it would be the highest in Women's clothing, and the second is the Men's clothing, and the final is the child's clothing, because the child's dress is not the size of the adult, and the fabric costs, the



testing costs, the production process, and the cost of the child's clothing is determined to be more expensive than adult clothing. But compared to Men's and Women's clothing market saturation, children's clothing market still has great space for development.

#### D. Parents born in the 1980s and 1990s are demanding higher quality of children's clothes

As at the beginning of 80, 90 after consistent high-quality life demand for the parents will affect their demands to the next generation. For children's products, children's clothing, such as selection will be from the original beautiful fashion into a high quality, under the influence of environmental protection concept, health and safety of children's clothing will be more popular.

The family structure of China promotes the consumption culture of children. The family planning policy of more than 30 years has resulted in numerous of 4+2+1 family structures in Chinese society, namely 4 old people, 2 parents and 1 child. The comprehensive liberalization of the two-child policy in the future will result in a partial 4+2+2 structure. This family demographic combined with rising per capita income, has led to a rising status of only children, creating a new culture of child-led consumption. Parents are born in the 1970s and 1990s have a strong ability to spend money on their children. According to the national bureau of statistics, the expenses for children aged from 0-14 accounts for about 40% of family spending in China's second - and third-tier cities. At the same time, however the children have no financial capability, the main consumers are the parent, that is, the post-70s, post-80s and the post-90s in the future. The number of children determines the consumption capacity of the market, while the consumption habits of parents determine the frequency and quality of the market. Taking the children's clothing as the example, the brand awareness of the parents after 70s-90s is stronger, with higher color, style and quality requirements, and more willing to invest in the child and the trend.

In addition, with the continuous improvement of family income, the annual per capita consumption of children's clothing is also increasing year by year. In 2008, the per capita consumption of children's clothing was 350 yuan, which reached 740 yuan by 2012. It is predicted that the per capita consumption of children's clothing will reach 1,700 yuan in 2017, and the compound annual growth rate of 3 years is 18.1%.

#### E. Industrial upgrading brings the overall sound development of the industry

Chinese children's clothing is facing a new round of industrial upgrading, this upgrade performance in production capacity, industry concentration changes, enterprise development, products and brands improved the industry chain from several aspects.



First of all, the number of children's assembly is going to increase, the size of the industrial cluster will be expanded, and the production will be moved further to the cluster, with the expansion of the market and the development of the cluster, the production will have to be leap-forward. The number of children's clothing enterprises will be greatly increased, and the number of individual industrial and commercial businesses will be declining. Enterprise level classification has become increasingly apparent, expanding the scale of the leader. The brand will be the core content of the product race, and the foreign brand will not ignore the growth of the Chinese children's clothing, which is fast, the capacity of the good market, the product of the brand, the foreign brand cooperation will be the main pipeline of the domestic and international children's apparel industry in the market, and the marketing network is healthy, the production management of the domestic child costume enterprises has the advantage to be more attractive to the professional marketing firm in the opportunity of the brand cooperation.

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.

From the perspective of market space, the whole Chinese children's wear market is unbalanced and there are huge gaps. Sometimes, it is hard to buy desirable clothes, especially for students aged 12 to 16 years old. Brand value and product feature on the current domestic market brand status can be divided into three levels. At the top of the pyramid are so-called "overseas brands" that have almost flooded China's high-end children's wear market. Located on the second floor of the brand pyramid are a group of well-known domestic brands with a large consumer group facing the middle market of large and medium-sized cities. There are some local brands, in a certain area has a high visibility, regional market share is higher, while the rest of China market in rare. The brand is the backbone of the central brand pyramid. Along with the second - and third-tier markets rise, the growth of rural consumption market, the market started to move, children's clothing apparel industry began to market segment. The certain brand and regional brand gradually formed in China, children's wear brand to find their own market positioning, children's clothing will form a new pattern of the division.

In the next ten years, the child's clothes will have the strongest consumer in the history of the world, and with a huge newborn baby base, the children's clothing industry will continue along the benign development track to move forward. Pursuit of children's clothing fashion is no longer a luxury, the

rapid development of children's clothing market has become a pillar of clothing market, seize the market opportunities, grasp the market dynamic ability to have broader development space.

(b) Adverse factors and countermeasures

A. lack of excellent talent team, especially excellent children's clothing designer.

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 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.

Response measures

The firm has developed its own design and design capacity as the main center of gravity, the ongoing reform of the human resources, and regularly participating in the domestic and international clothing expo, conduct a survey of the trends, adjust the design of the products and the future product design. In addition, the company also through technical cooperation way and the colleges of science and technology research project cooperation, all items for product design, technology development and innovation continuously invest efforts, to create a more solid professional ability of research and development design technology. In particular, we set up a special design and development department, focusing on the ability to develop the design of the product, and through the constant discovery and reform of the human system, we have created a team of 45 professionals and technicians. In addition, we regularly participate in the domestic and international clothing expo, and in the case of the international and the typical of Paris, Tokyo, Seoul, and so on, to conduct the trends to be able to run the trends, to collect and analyze the products, adjust the product specifications and the design of the clothing, design and develop the products, close to the differentiated market demand of consumers. On the other hand, we cooperate with scientific research institutions to accurately grasp the latest market trends and clothing fabric technology.

B. Lack of innovation consciousness.

Designers who have been engaged in design for many years are prone to "empiricism" and are faced with "breakthrough" innovation, including innovation in business model, management and fashion design.

Response measures

Once China children's clothing industry is a symbol of raw materials and processing, the labor-intensive industries, price, quantity and size of the most sensitive element of the whole industry chain. Today, many regions and enterprises are still busy in the production process with scale efficiency and production speed as their core competitiveness. However, the new generation of children's clothing enterprise is changing the landscape. Represented by the fashion, the original of the new generation of children's wear brand, occupy the market leading position gradually, and become a sign of children's consumer brand today. Their logo: marketing with fashion, personality, culture and creative products, in order to meet consumer demand for products style and culture. In contrast to the core competitiveness of traditional children's wear industry, traditional children's wear brands pay attention to low cost and low price of products and take production capacity and scale benefit as the main competitiveness. The new generation of children's wear brands pay more attention to the fashion, personalization and sense of value of products, with design innovation and brand concept as the main competitiveness. The collision is becoming increasingly prominent with the proliferation of Cenozoic consumers. Therefore, in the future, our company will pay more attention to the guidance and application of innovative management, strive to break through the limitations of traditional children's wear industry, and seek for greater development space.

#### C. Lack 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 Chinese child culture is built.

#### Response measures

The firm has created a unique brand culture, and the products are the spirit of the ocean, the creation of individual fashion, fusion of international trends and the Chinese culture, advocate the harmony between nature and human, endow products with more spiritual and life concepts. Brand tries to reveal the modern city children's personality grade and brave spirit - splendour, lift-off dolphin shows the outstanding of the "Top Kids". Companies with the technique of image, cartoon, deduced TOPBI brand culture: blue ocean show deep and infinite, advocating the harmony of nature and man; Spiritual dolphin TOPBI, which gives the modern children more wisdom and a better future, with fashionable life concept, shuttle between the art and the modern, urban children's personality grade and brave spirit. The TOPBI brand continues to be recognized for many years, including the famous international brands of Fujian province, which has been identified as the international brand, which

has been selected by the Chinese clothing association for three years as one of the top ten brands in China, and has been identified as the key to the Chinese textile industry association and Chinese textile industry association , which is a brand of Chinese clothing and textile in the industry.

#### D. The risk of sales centralized agent

The company is selling products by the agent, the performance of growth depends on the agent's business ability, and expand sales positions, agents of the company in its sales territory as the sole agent, however, the company has no control over the management of the agent. If the relationship between the agent and its cooperation changes, or the agent in the actual operation of the company and the agent contract signed with the content of the breach, cannot avoid shaking the company's business plan or brand goodwill caused by the negative impact.

#### Response measures

(A) The company does and mutual coordination and cooperation between the agents, ensure availability timely, strengthen the support for advertising and promotion, provide products and services to support and improve the sales force, in order to enhance agent sales, and make it consolidate certain benefits.

(B) In the process of establishing a relationship with the agent, the important way for the firm is to identify the product and brand, to strengthen the centricity and control the agency, which is focus on the relationship with the agent, actively conduct the training activities and to supervise, control the business performance and evaluation of the agent, establish the basis of the general consensus, and establish a basis for the control of the agent.

(C) Starting in 2016, the firm will try to get into the market in a direct way, with a small scale and a flag in the form of the market, and in real time, the latest market dynamics, to response the market demand.

#### E. Costs of clothing manufacturing are rising

In recent years, the government rolled out a series of relevant employment, wage distribution, social security, protection of the rights and interests of workers and other aspects of major policies and measures, such as establishing and perfecting the minimum wage system, to implement the "labor contract law" and establish a sound social security system, such as the growth of the wage level and the establishment of the social security system in the labor costs has also improved. In addition, in recent years, the raw material prices of clothing enterprises are also rising. The rising cost of labor and raw materials increases the manufacturing cost of clothing products and business pressure.

### Response measures

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. In the future, the company will be more actively into the "low carbon era", the green of the original, auxiliary materials, trying to make children more environmental protection, health, and take the initiative to study physiological and psychological characteristics of children's growth, efforts by brand and product to interpret the needs of children, to better products to offset the market concerns about the price, compensate for the rising cost pressure of competition.

#### (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

Unit: NT\$ (Thousand); %

Project	2017			2018			The first quarter of 2019					
	Name	Amount	Percentage of total annual net purchases [%]	Relationship with the issuer	Name	Amount	Percentage of total annual net purchases [%]	Relationship with the issuer	Name	Amount	Percentage of total annual net purchases [%]	Relationship with the issuer
1	Other	3,980,847	100.00%	-	Other	4,092,504	100%	-	Other	828,780	100.00%	-
2	Net purchase amount	3,980,847	100.00%	-	Net purchase amount	4,092,504	100%	-	Net purchase amount	828,780	100.00%	-

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 2019.

(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	2017				2018			
		Internal sales		Export sales (note)		Internal sales		Export sales (note)	
		Number	Value	Number	Value	Number	Value	Number	Value
Children's clothing		20,853	5,916,268	-	-	21,172	6,764,779	-	-

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

3) Number of employees in recent year

Unit: people

Year		2017	2018	March 31, 2019
Employee number	Manager	26	25	24
	General staff	144	146	148
	Production line employees	-	-	-
	Total	170	170	172
Average age		35.54	35.32	37.49
Average service years		5.31	6.36	7.59
Education distribution	Dr.	-	-	-
	Master	1	1	1
	Bachelor	28	28	31
	Junior college (including the following)	141	142	140
	Total	170	171	172

#### 4) Environmental expenditure information

(I) Last year (2018) 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.

## 4. 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.

#### 5. All staff rights and interests 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 (2018) 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: No.

#### 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	福州鑫圖光電有限公司	2016.08.01~2019.07.31	On the sixth floor of TOPBI building, the rental area is 1,546.70 square meters	-
Lease contract	福州茂盛投資有限公司	2018.01.01~2018.12.31	Research and development center rental cover an area of 950 square meters	-
Lease contract	福建財茂集團有限公司	2018.03.01~2019.02.28	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	江蘇財茂科工貿城股份有限公司	2018.10.01~2019.09.30	The third floor is 2972.95 square meters, Suqian city, Jiangsu Toprich industry and trade city 31#A	-
Insurance contracts	中國大地財產保險股份有限公司	2018.07.05~2019.07.04	Building insurance	-

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
Insurance contracts	中國大地財產保險股份有限公司	2018.07.05~ 2019.07.04	Inventory insurance	-
Advertising contracts	杭州商聚電子商務有限公司	2017.12.01~ 2018.11.30	EVI brand visual design and promotion services	-
Advertising contracts	福州天歌文化傳媒有限公司	2018.01.01~ 2018.12.31	Taxi headlights, seats, Windows advertising	-
Advertising contracts	北京華鐵傳媒集團有限公司	2018.01.01~ 2018.02.28	Advertising for high-speed trains and trains	-
Advertising contracts	北京華鐵傳媒集團有限公司	2018.05.01~ 2018.12.31	Advertising for high-speed trains and trains	-
Advertising contracts	福州盛世海廣傳媒有限公司	2018.04.16~ 2018.10.15	Radio advertising	-
Advertising contracts	福州盛世海廣傳媒有限公司	2018.11.01~ 2019.04.30	Radio advertising	-
Agency contract	鄭州閩杭派商貿有限公司	2018.01.01~ 2018.12.31	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	2017.01.01~ 2017.12.31	Distribution agent TOPBI brand children's wear	四川（南充、自貢、宜賓地區以外）
Agency contract	A公司	2018.01.01~ 2018.12.31	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	2018.02.01~ 2019.01.31	Distribution agent TOPBI brand children's wear	蘇州、常州、無錫、鎮江、南京
Agency contract	泉州凌青服裝有限公司	2018.02.01~ 2019.01.31	Distribution agent TOPBI brand children's wear	廈門、泉州、漳州、龍岩
Agency contract	D公司	2018.02.01~ 2019.01.31	Distribution agent TOPBI brand children's wear	天津
Agency contract	G公司	2018.03.01~ 2019.02.28	Distribution agent TOPBI brand children's wear	武漢、隨州、孝感、黃岡、黃石、咸寧、荊門、荊州

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
Agency contract	F公司	2018.03.01~2019.02.28	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	2018.03.01~2019.02.28	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	2018.03.01~2019.02.28	Distribution agent TOPBI brand children's wear	上海
Agency contract	蘭州鑫瑞豐商貿有限責任公司	2018.03.01~2019.02.28	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	2018.04.01~2019.03.31	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	2018.06.01~2019.05.31	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	2018.07.01~2019.06.30	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	2018.07.01~2019.06.30	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	2018.07.01~2019.06.30	Distribution agent TOPBI brand children's wear	重慶
Agency contract	金華嘉譽貿易有限公司	2018.07.01~2019.06.30	Distribution agent TOPBI brand children's wear	金華、台州、麗水、衢州
Agency contract	西安伯青度商貿有限公司	2018.08.01~2019.07.31	Distribution agent TOPBI brand children's wear	西安
Agency contract	懷化欣泰商貿有限公司	2018.09.01~2019.08.31	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	2018.09.01~2019.08.31	Distribution agent TOPBI brand children's wear	紹興、寧波、杭州、湖州、嘉興、溫州
Agency contract	大连蕾娜商貿有限公司	2018.09.01~2019.08.31	Distribution agent TOPBI brand children's wear	遼寧等
Agency contract	濟南輝祥服飾有限公司	2018.09.01~2019.08.31	Distribution agent TOPBI brand children's wear	青島、威海、煙臺、濰坊、日照

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
Agency contract	吉林省娃享商貿有限公司	2018.10.01~2019.09.30	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	2018.10.01~2019.09.30	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	2018.12.01~2019.11.30	Distribution agent TOPBI brand children's wear	網路平臺
Cooperation framework agreement	泉州凱偉制衣有限公司	2016.08.25~2019.08.24	Clothing OEM production	90 days after invoice date
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	福州永得利服裝有限公司	2016.09.05~2019.09.04	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	邵武市鴻勝制衣廠	2016.09.12~2019.09.11	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福建省永泰三連制衣有限公司	2016.09.13~2019.09.13	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

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
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
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	廣州优縫服装有限公司	2017.10.16~2020.10.15	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	泉州市锐鑫服装织造有限公司	2018.04.09~2021.04.08	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州亿榕达服装有限公司	2018.04.12~2021.04.11	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	泉州煌騰纺织有限公司	2018.04.20~2021.04.19	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	福州鑫锦裳服装有限公司	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	常熟市童夢世家服飾有限公司	2018.05.14~2021.05.13	Clothing OEM production	90 days after invoice date
Cooperation framework agreement	温州顺势电子商务有限公司	2018.05.15~2021.05.14	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

Nature of the contract	Client	The date on which the contract begins and ends	Main content	Restrictions
Cooperation framework agreement	福建瑞得服装有限公司	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

## **6. Financial situation**

1) Financial information of the last five years

(I) Balance sheet and consolidated income statement

1. Balance sheet

Unit: NT \$ (Thousands)



		Financial information for the last five years					Financial information for the current year ending March 31, 2019 (Note 1)
		2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	
Current assets		3,979,155	4,908,602	5,552,261	6,703,409	7,909,543	7,640,534
Property, plant and equipment		454,398	420,428	365,340	342,641	312,532	314,164
Other assets		278,558	259,133	246,025	259,813	276,749	242,523
Total assets		4,712,111	5,588,163	6,163,626	7,305,863	8,498,824	8,197,221
Current liabilities	Prior to allotment	1,327,337	1,719,233	2,106,476	2,491,925	3,225,836	2,583,652
	Post allocation (Note 2)	1,704,857	2,154,833	2,403,743	2,872,092	3,484,350	2,842,166
Non-current liabilities		250,307	342,908	315,261	309,583	303,710	312,332
Total liabilities	Prior to allotment	1,577,644	2,062,141	2,421,737	2,801,508	3,529,546	2,895,984
	Post allocation (Note 2)	1,955,164	2,497,741	2,719,004	3,181,675	3,788,060	3,154,498
Equity vested in the parent company		3,134,467	3,526,022	3,741,889	4,504,355	4,969,278	5,301,237
Equity capital		580,800	580,800	702,760	787,096	826,451	826,451
Capital reserves		1,318,627	1,318,627	1,398,377	1,517,887	1,517,887	1,517,887
Retained earnings	Prior to allotment	1,074,437	1,533,243	1,832,893	2,448,542	2,982,646	3,207,249
	Post allocation (Note 2)	696,917	1,097,643	2,130,160	2,029,020	2,601,029	2,825,632
Other rights and interests		160,603	93,352	-192,141	-249,170	-322,541	-202,291
Treasury stock		-	-	-	-	-35,165	-48,059
Non-controlling interest		-	-	-	-	-	-
Total equity	Prior to allotment	3,134,467	3,526,022	3,741,889	4,504,355	4,969,278	5,301,237
	Post allocation (Note 2)	2,756,947	3,090,422	4,039,156	4,124,188	4,710,764	5,042,723

Note 1: Consolidated financial data for the last five years and the first quarter of 2019 have been checked and reviewed by accountants.

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

## 2. Comprehensive income statement

Unit: NT \$ (Thousands)

Year Items	Financial information for the last five years					Financial information for the current year ending March 31, 2019 (Note 1)
	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	
Operating income	4,657,001	5,371,411	5,695,817	5,916,268	6,764,779	1,342,590
Operating margin	1,876,220	2,139,586	2,207,383	2,302,475	2,629,007	530,631
Profit and loss	1,090,239	1,177,152	1,032,339	1,165,985	1,1341,398	291,893
Non-operating income and expenses	42,302	77,856	8,140	94,113	-17,544	35,850
Pre-tax profit	1,132,541	1,255,008	1,040,479	1,260,098	1,323,854	327,743
The net profit of the business unit for the current period	754,065	836,326	735,250	912,917	953,626	224,603
Loss of business closure	-	-	-	-	-	-
Current net profit (loss)	754,065	836,326	735,250	912,917	953,626	224,603
Other consolidated profits and losses of the current period (net after tax)	101,082	-67,251	-285,493	-34,768	-95,632	120,250
Total consolidated profit and loss for the current period	855,147	769,075	449,757	878,149	857,994	344,853
Net profit attributable to the parent company	754,065	836,326	735,250	912,917	953,626	224,603
Consolidated profit and loss of non-controlled equity	-	-	-	-	-	-
Total consolidated profit and loss of the parent company	855,147	769,075	449,757	878,149	857,994	344,853

Items \ Year	Financial information for the last five years					Financial information for the current year ending March 31, 2019 (Note 1)
	2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	
Consolidated profit and loss of non-controlled equity	-	-	-	-	-	-
Earnings per share	12.98	14.40	10.54	11.81	11.56	2.74

Note 1: Consolidated financial data for the last five years and the first quarter of 2019 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
2014	Shih Ching-Pin, Cho Ming-Hsing	Deloitte & Touche Taipei	No reservations
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

2) Financial analysis (cause of change in financial ratio)

Year  Items to be analyzed		Financial analysis for the last five years					Current year ends March 31, 2019 (Note 1)
		2014 (Note 1)	2015 (Note 1)	2016 (Note 1)	2017 (Note 1)	2018 (Note 1)	
Financial structure (%)	Debt-to-assets ratio	33.48	36.90	39.29	38.35	41.53	35.33
	Long-term capital ratio of property, plant and equipment	689.81	838.67	1024.22	1404.95	1687.18	1687.41
Solvency (%)	Liquidity ratio	299.78	285.12	263.58	269.01	245.19	295.73
	Quick ratio	291.13	280.76	260.91	265.12	243.39	292.20
	Times interest earned	-	2338.07	138.38	78.92	49.99	29.81
Operating Capacity	Accounts receivables turnover (times)	2.71	2.80	2.82	2.71	2.79	2.61
	Average collection days	134.45	130.35	129.36	134.68	130.82	139.61
	Inventory turnover (times)	48.16	53.10	63.92	73.51	82.13	49.74
	Accounts payable turnover (times)	3.06	3.03	3.17	2.98	3.00	2.67
	Average days of sale	7.58	6.87	5.71	4.97	4.44	7.34
	Property, plant and equipment turnover (times)	10.39	12.28	14.50	16.71	20.65	17.14
	Total asset turnover (times)	1.10	1.04	0.97	0.88	0.86	0.64
Profitability	Return on assets (%)	17.89	16.25	12.61	13.74	12.32	10.86
	Return on equity (%)	26.69	25.11	20.23	22.14	20.13	17.49
	Ratio of net profit to paid-in capital before tax (%)	195.00	216.08	148.06	160.09	160.19	158.63
	Net profit rate (%)	16.19	15.57	12.91	15.43	14.10	16.73
	Earnings per share (\$)	12.98	14.40	10.54	11.81	11.56	2.74
Cash flow	Cash flow ratio (%)	63.85	49.13	34.38	38.05	30.42	90.76
	Cash flow allowance ratio (%)	-	-	-	2.92	2.75	3.51

	Cash reinvestment ratio (%)	17.63	21.84	17.91	19.81	11.18	41.79
Leverage	Operating leverage	1.14	1.15	1.14	1.12	1.11	1.13
	Financial leverage	1.00	1.00	1.01	1.01	1.02	1.04
<p>1. Increase in the proportion of long-term capital in property, plant and equipment: Mainly due to the profit in 2018 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 bank borrowing.</p> <p>3. Property, plant and equipment turnover times increased; Mainly caused by expansion of business scale and increase of operating income in 2018.</p> <p>4. Cash flow ratio and cash reinvestment ratio are reduced: Mainly caused by increase of borrowing and the relative increase of current liabilities.</p>							

Note 1: In 2014-2018 consolidated financial data has been checked by accountants; Consolidated financial data for the first quarter of 2019 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) Reports reviewed by the inspector of the most recent annual financial reports or by the board of auditors.

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一百零七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： 蔡佳宏



中 華 民 國 一 百 零 八 年 三 月 二 十 五 日

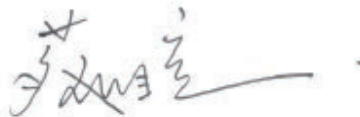
淘帝國際控股有限公司

審計委員會查核報告書

董事會造具本公司民國一百零七年度盈餘分派議案。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： 蔡佳宏



中 華 民 國 一 百 零 八 年 四 月 三 十 日



4) Financial statements

(I) Recent annual financial report: Please refer to pages 155-209 of this annual report

(II) The most recent fiscal year by the certified public accountants'(CPA) individual financial report: Our company is the 1st listed company, it does not need to prepare the individual financial report, so it is not applicable.

5) 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 and analysis of financial status, financial performance and risk issues

### 1) Financial status

Unit: NT \$ (Thousands); %

Items	Year	2017	2018	Fluctuation	
				Amount	Variable proportion
Current assets		6,703,409	7,909,543	1,206,134	18.00%
Property, plant and equipment		342,641	312,532	-30,109	-8.79%
Other assets		259,813	276,749	16,936	6.52%
Total assets		7,305,863	8,498,824	1,192,961	16.33%
Current liabilities		2,491,925	3,225,836	733,911	29.45%
Non-current liabilities		309,583	303,710	-5,873	-1.90%
Total liabilities		2,801,508	3,529,546	728,038	25.99%
Equity attributable to the parent company		4,504,355	4,969,278	464,923	10.32%
Equity capital		787,096	826,451	39,355	5.00%
Capital reserves		1,517,887	1,517,887	0	0.00%
Retained earnings		2,448,542	2,982,646	534,104	21.81%
Other rights and interests		-249,170	-322,541	-73,371	29.45%
Treasury stock		-	-35,165	-35,165	-
Non-controlling interest		-	-	-	-
Total equity		4,504,355	4,969,278	464,923	10.32%

Significant changes in project specification: (the amount change of more than 10%, and 1% of the total amount of current assets).

- Total current assets and total assets: Mainly due to the increase in operating revenue in 2018, cash and accounts receivable are also relatively increased.
- Current liabilities and total liabilities: Mainly due to increased short-term borrowing in the fourth quarter of 2018 in response to operating needs.
- Equity attributable to the parent company, retained earnings and total equity: Mainly because of the increase in net profits in 2018.
- Other rights and interests: Mainly because of the conversion of foreign currency statements.

## 2) Financial performance

### (a) Comparative analysis of business results

Items \ Year	2017	2018	Fluctuation	
			Amount	Variable proportion
Operating income	5,916,268	6,764,779	848,511	14.34%
Minus: sales return and discount	-	-	-	-
Net operating income	5,916,268	6,764,779	848,511	14.34%
Operating cost	3,613,793	4,135,772	521,979	14.44%
Operating margin	2,302,475	2,629,007	326,532	14.18%
Unrealized gross profit reduction (increased) between affiliated companies	-	-	-	-
Net operating margin	2,302,475	2,629,007	326,532	14.18%
Operating expenses	1,136,490	1,287,609	151,119	13.30%
Operating profit	1,165,985	1,341,398	175,413	15.04%
Non-operating income and benefits	61,494	70,682	9,188	14.94%
Non-operating expenses and losses	16,178	27,041	10,863	67.15%
Pre-tax profit	1,260,098	1,323,854	63,756	5.06%
Minus: income tax expenses	347,181	370,228	23,047	6.64%
After-tax profit	912,917	953,626	40,709	4.46%
<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>1. Operating income, Operating margin, and net operating profit increased: The main reason is that in 2018, the sales of agents in mainland China continue to increase and the business scale expands, which leads to the increase of operating income and net operating profit.</li> <li>2. Operating cost increased: Mainly caused by revenue grew in 2018.</li> <li>3. Operating expenses increased: In 2018, the business scale expanded, and the relevant administrative</li> </ol>				

Items \ Year	2017	2018	Fluctuation	
			Amount	Variable proportion
expenses such as advertising expenses increased.				

(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) Cash flow

(a) Analysis of the change in cash flow in the most recent year (2018)

Unit: NT \$ (Thousands); %

Items \ Year	2017	2018	Increase (decrease) amount	Increase (decrease) ratio
	Operating activities	948,137	981,326	33,189
Investment activities	289,130	21,843	(267,287)	(92.45%)
Financing activities	(60,194)	101,614	161,808	268.81%
Analysis of variation:				
1. Investment activities: Mainly due to the purchase of time deposits with original maturity of more than 3 months in 2017.				
2. Financing activities: Mainly due to the increase in short-term borrowing in 2018.				

(b) Cash liquidity analysis and liquidity improvement plan for the year of 2019

Our company has continued to grow for the year of 2019. 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) Major reasons for the change of investment policy, profit or loss, improvement plan and investment plan for the next 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 reasons for its profit or loss

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 2018	Explanations
TOPBI (China)	1,089,623	During the year of 2018, 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) Risk management shall analyze and evaluate the following matters

(a) The impact of interest rate, exchange rates, inflation on corporate profits and losses and future countermeasures

(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 2018 and 2017 were NT \$30,786 thousand and NT \$29,691 thousand respectively, net operating income ratio is 0.45% and 0.50% 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 2018 and 2017 were NT \$61,185 thousand and NT \$48,797 thousand respectively, accounting for 0.8% and 0.14% 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 on high-risk, highly leveraged investments, capital lending to others, endorsement guarantees and derivatives trading, main reasons for profits or losses and future countermeasures.

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 and development plans and estimated investment in research and development expenses.

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 2019. 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) The influence and measures of domestic and foreign legal changes and important policy changes on the financial business of the company

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) The impact of technological change and industrial change on the company's financial business and corresponding measures

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) Impact of corporate image change on corporate crisis management and corresponding 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 and possible risk response measures for M&A

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, possible risks and countermeasures of plant expansion

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 and countermeasures in purchasing or selling goods

(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 2018 and 2017 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 2018, therefore there is no major concentration risk.

(j) Effects, risks and countermeasures of directors, supervisors or major shareholders holding more than 10% of shares on the company due to the massive transfer or replacement of shares

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, on the whole, the company does not cause operating risks to the company due to the transfer or replacement of a large number of shares.

(k) The impact, risks and countermeasures of the change of management rights on the company

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.

(m) 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 a large number of 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 record

### 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, 2018; 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	1,424,998 (RMB318,649t 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	214,567 (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	804,960 (RMB180,000 thousands)	Sale of children's clothing

Note: NT to RMB \$4.472 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	Ni RuiYing	-	-
	Director	Zhuang LingFeng	-	-
	Supervisor	Zhou Lin Hong	-	-
	General Manager	Zhou ZhiHong	-	-

(e) Operation profile of all related enterprises

December 31, 2018; 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	1,503,747	234,137	1,269,610	-	(26)	226,911	(Note 1)
Fujian SDO Textile & Industry Goods Corp., LTD	47,980	399,707	-	399,707	-	(1)	63,513	(Note 1)
Topbi (China) Fashion Corp., LTD	180,000	1,895,154	391,432	1,503,722	1,483,504	240,350	238,952	(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.
5. 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 motion	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	Article 50 of the AOA is unable to be amended prior to the date of annual report in a timely manner pursuant to the provisions of "material contents of such matters may be uploaded onto the website designated by the TWSE, TPEX or

Differences	Cayman law and description	AOA regulations and description
<p>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>the Company with the address of website indicated in the notice", "Reduction in share capital" and "Application for de-registration as a public company" as newly added in 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>Article 50 of the AOA is expected to be amended by the annual shareholders' meeting of 2019 in accordance with the provisions newly added in 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>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.</p> <p>According to the Cayman lawyer, with regard to extemporary motion, a notice of shareholders'</p>



<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
<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>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 extemporaneous 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>
<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</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</p>

Differences	Cayman law and description	AOA regulations and description
<p>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 motion and amendment to an existing proposal.</p>		<p>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 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</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</p>

Differences	Cayman law and description	AOA regulations and description
<p>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>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 requirements under Item 5 may not be enforceable.</p>
<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</p>	<p>With respect to Items 1, 4 and 5 (Split-up), the Companies Law does not provide any special requirement or prohibition. With respect to Items 2 and 3, No.24 of the Companies Law provides that any and all changes or amendments to the</p>	<p>1. As the Companies Law does not contain any specific requirement or prohibition on the provision on split-up in Items 1, 4 and 5, the requirements on split-up under Items 1, 4 and 5 are separately provided in <b>Article</b></p>

Differences	Cayman law and description	AOA regulations and description
<p>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 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</li> </ol>	<p>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 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.</p> <p>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><b><u>32(a)(b)(c)(d)(g)</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 Companies Law, any and all changes or amendments to the memorandum and articles of association shall be approved by special resolution. So the</li> </ol>

<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
<p>through issue of new shares; and 5. Resolution on dissolution, merger or</p>		<p>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' meeting is required. According to the Cayman lawyer, the above shareholders' resolution could be ordinary resolution, special</p>

Differences	Cayman law and description	AOA regulations and description
		<p>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 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</p>

Differences	Cayman law and description	AOA regulations and description
		<p>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.
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	<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</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

<b>Differences</b>	<b>Cayman law and description</b>	<b>AOA regulations and description</b>
<p>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>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.</p>	<p>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 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</p>



Differences	Cayman law and description	AOA regulations and description
		<p>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>
<ol style="list-style-type: none"> <li>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 treat the gains from the act as the gains of the company.</li> <li>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</li> </ol>	<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-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</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>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>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: No.

## Appendix

**TOPBI International Holdings Limited and  
Subsidiaries**

**Consolidated Financial Statements for the  
Years Ended December 31, 2018 and 2017 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 (the Group), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, 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.

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, 2018 and 2017, 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 audits 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 Group's consolidated financial statements for the year ended December 31, 2018. 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.

Key audit matters of the Group's consolidated financial statements for the year ended December 31, 2018 are discussed as follows:

#### Recognition of Revenue

Refer to Note 4 (j) to the consolidated financial statements for the accounting policies related to recognition of revenue.

The sales of kids clothing is the main source of revenue of the Group. The Group recognizes revenue when a performance obligation is satisfied by transferring a promised good to a customer. Therefore, as of the balance sheet date, the uncollected trade receivable of the revenue recognized for the year ended December 31, 2018 is considered to be a key audit matter.

Our main audit procedures performed in respect of the above area included the following:

1. We obtained an understanding of the Group's revenue recognition policy and ascertained that the Group complies with the regulations of IFRS 15 "Revenue from Contracts with Customers".
2. We performed tests of sales and collection cycle to verify whether the related controls are effective.
3. We selected samples of sales transactions from the sales ledger and verified them against sales receipts.
4. We performed sales revenue analysis.
5. We addressed trade receivable confirmation and investigated subsequent cash receipts to enable sales transactions free from material misstatement.

#### 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, 2018, 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 \$5,303,719 thousand, which represented 62% 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, the existence of cash and cash equivalents, and time deposits with original maturities of more than three months is considered to be a key audit matter.

Our main audit procedures performed in respect of the above area 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 withdrawal from the ledger, verified that there are legitimate bank receipts to back up the transaction and examined that vouchers had been 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 bank deposits balance to bank confirmation responses.
5. We examined bank confirmation responses if there is any restricted bank deposits and evaluated whether it is 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 25, 2019

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

ASSETS	2018		2017	
	Amount	%	Amount	%
<b>CURRENT ASSETS</b>				
Cash and cash equivalents (Notes 3, 4 and 6)	\$ 4,006,839	47	\$ 2,977,077	41
Financial assets at amortized cost - current (Notes 3, 8 and 9)	1,296,880	15	-	-
Debt investments with no active market - current (Notes 3 and 10)	-	-	1,323,850	18
Trade receivable (Notes 3, 4, 5, 11 and 22)	2,546,510	30	2,303,838	31
Other receivables (Notes 4 and 11)	466	-	1,097	-
Inventories (Notes 4 and 12)	51,970	1	48,737	1
Prepayments (Notes 3, 15 and 16)	6,183	-	48,152	1
Other current assets	695	-	658	-
Total current assets	<u>7,909,543</u>	<u>93</u>	<u>6,703,409</u>	<u>92</u>
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment (Notes 4 and 14)	312,532	4	342,641	5
Deferred tax assets (Notes 4 and 24)	46,031	1	27,645	-
Refundable deposits (Notes 16, 27 and 30)	223	-	228	-
Long-term prepayments for lease (Notes 3 and 15)	212,462	2	223,004	3
Other prepayments (Note 16)	18,033	-	8,936	-
Total non-current assets	<u>589,281</u>	<u>7</u>	<u>602,454</u>	<u>8</u>
<b>TOTAL</b>	<u>\$ 8,498,824</u>	<u>100</u>	<u>\$ 7,305,863</u>	<u>100</u>
<b>LIABILITIES AND EQUITY</b>				
<b>CURRENT LIABILITIES</b>				
Short-term borrowings (Notes 17 and 30)	\$ 1,457,079	17	\$ 933,817	13
Accounts payable (Note 18)	1,477,852	17	1,277,635	17
Other payables (Note 19)	152,529	2	140,346	2
Other payables to related parties (Note 30)	12,633	-	6,077	-
Current tax liabilities (Notes 4 and 24)	125,740	2	134,047	2
Other current liabilities	3	-	3	-
Total current liabilities	<u>3,225,836</u>	<u>38</u>	<u>2,491,925</u>	<u>34</u>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities (Notes 4 and 24)	300,838	4	307,250	4
Guarantee deposit received (Notes 27 and 30)	2,872	-	2,333	-
Total non-current liabilities	<u>303,710</u>	<u>4</u>	<u>309,583</u>	<u>4</u>
Total liabilities	<u>3,529,546</u>	<u>42</u>	<u>2,801,508</u>	<u>38</u>
<b>EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>				
Ordinary shares				
Share capital	826,451	10	787,096	11
Capital surplus	1,517,887	18	1,517,887	21
Retained earnings				
Legal reserve	384,933	4	293,641	4
Special reserve	226,909	3	192,141	2
Unappropriated earnings	2,370,804	28	1,962,760	27
Total retained earnings	<u>2,982,646</u>	<u>35</u>	<u>2,448,542</u>	<u>33</u>
Other equity	(322,541)	(4)	(249,170)	(3)
Treasury shares	(35,165)	(1)	-	-
Total equity	<u>4,969,278</u>	<u>58</u>	<u>4,504,355</u>	<u>62</u>
<b>TOTAL</b>	<u>\$ 8,498,824</u>	<u>100</u>	<u>\$ 7,305,863</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, 2018 AND 2017

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

	2018		2017	
	Amount	%	Amount	%
SALES (Notes 4, 22 and 34)	\$ 6,764,779	100	\$ 5,916,268	100
COST OF GOODS SOLD (Note 12)	<u>4,135,772</u>	<u>61</u>	<u>3,613,793</u>	<u>61</u>
GROSS PROFIT	<u>2,629,007</u>	<u>39</u>	<u>2,302,475</u>	<u>39</u>
OPERATING EXPENSES (Notes 20, 23 and 30)				
Selling and marketing expenses	1,014,503	15	773,667	13
General and administrative expenses	189,074	3	284,014	5
Research and development expenses	<u>84,032</u>	<u>1</u>	<u>78,809</u>	<u>1</u>
Total operating expenses	<u>1,287,609</u>	<u>19</u>	<u>1,136,490</u>	<u>19</u>
PROFIT FROM OPERATIONS	<u>1,341,398</u>	<u>20</u>	<u>1,165,985</u>	<u>20</u>
NON-OPERATING INCOME AND EXPENSES				
Interest income (Note 4)	30,786	-	29,691	-
Rental revenue (Notes 4 and 30)	38,691	1	30,355	1
Other income - others (Note 30)	1,171	-	933	-
Gain on financial assets at fair value through profit or loss (Notes 4 and 7)	34	-	515	-
Interest expenses (Note 30)	(27,021)	-	(16,172)	-
Other expenses	-	-	-	-
Loss on disposal of property, plant and equipment (Note 4)	(20)	-	(6)	-
Gain (loss) on foreign currency exchange (Note 4)	<u>(61,185)</u>	<u>(1)</u>	<u>48,797</u>	<u>1</u>
Total non-operating income and expenses	<u>(17,544)</u>	<u>-</u>	<u>94,113</u>	<u>2</u>
PROFIT BEFORE INCOME TAX	1,323,854	20	1,260,098	22
INCOME TAX EXPENSE (Notes 4 and 24)	<u>370,228</u>	<u>6</u>	<u>347,181</u>	<u>6</u>
NET PROFIT FOR THE PERIOD	953,626	14	912,917	16
OTHER COMPREHENSIVE INCOME (LOSS)				
Items that will not be reclassified subsequently to profit or loss:				
Exchange differences on translation to the presentation currency (Note 21)	<u>(95,632)</u>	<u>(1)</u>	<u>(34,768)</u>	<u>(1)</u>
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE PERIOD	<u>\$ 857,994</u>	<u>13</u>	<u>\$ 878,149</u>	<u>15</u>

(Continued)

## TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017

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

	<u>2018</u>		<u>2017</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 953,626</u>	<u>14</u>	<u>\$ 912,917</u>	<u>15</u>
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 857,994</u>	<u>13</u>	<u>\$ 878,149</u>	<u>15</u>
EARNINGS PER SHARE (Note 25)				
Basic	<u>\$ 11.56</u>		<u>\$ 11.25</u>	
Diluted	<u>\$ 11.56</u>		<u>\$ 11.19</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, 2018 AND 2017  
(In Thousands of New Taiwan Dollars, Except Per Share Amount)

	Equity Attributable to Owners of the Company							Other Equity			Total Equity
	Share Capital (Notes 21 and 26) Shares (in Thousands)	Amount	Capital Surplus (Notes 21 and 26)	Retained Earnings (Note 21)		Unappropriated Earnings	Exchange Differences on Translating Foreign Operations (Note 21)	Unearned Employee Benefit (Notes 21 and 26)	Treasury Shares (Note 21)		
				Legal Reserve	Special Reserve						
BALANCE AT JANUARY 1, 2017	70,276	\$ 702,760	\$ 1,398,377	\$ -	\$ 1,612,777	\$ (192,141)	\$ -	\$ -	\$ 3,741,889		
Appropriation of 2016 earnings	-	-	-	-	(73,525)	-	-	-	-		
Legal reserve	-	73,525	-	-	(192,141)	-	-	-	-		
Special reserve	-	-	192,141	-	(226,992)	-	-	-	(226,992)		
Cash dividends distributed by the Company - NT\$3.23 per share	-	-	-	-	(70,276)	-	-	-	-		
Share dividends distributed by the Company - NT\$1.00 per share	7,028	70,276	-	-	(562,934)	-	-	-	(226,992)		
	7,028	70,276	-	192,141	-	-	-	-	912,917		
Net profit for the year ended December 31, 2017	-	-	-	-	912,917	-	-	-	-		
Other comprehensive income (loss) for the year ended December 31, 2017, net of income tax	-	-	-	-	-	(34,768)	-	-	(34,768)		
Total comprehensive income (loss) for the year ended December 31, 2017	-	-	-	-	912,917	(34,768)	-	-	878,149		
Issue of shares restricted for employees	1,406	14,060	119,510	-	-	-	(133,570)	-	111,309		
Compensation cost of employees' restricted shares	-	-	-	-	-	-	111,309	-	-		
BALANCE AT DECEMBER 31, 2017	78,710	787,096	1,517,887	192,141	1,962,760	(226,909)	(22,261)	-	4,504,355		
Appropriation of 2017 earnings	-	-	-	-	(91,292)	-	-	-	-		
Legal reserve	-	91,292	-	34,768	(34,768)	-	-	-	-		
Special reserve	-	-	-	-	-	-	-	-	-		
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	-	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	226,909	2,370,804	(322,541)	-	(35,165)	4,969,278		

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, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Income before income tax	\$ 1,323,854	\$ 1,260,098
Adjustments for:		
Depreciation expenses	23,665	22,743
Gain on financial assets at fair value through profit or loss	(34)	(515)
Interest expenses	27,021	16,172
Interest income	(30,786)	(29,691)
Compensation cost of share-based payments	22,261	111,309
Loss on disposal of property, plant and equipment	20	6
Write-down of inventories	6,892	3,830
Amortization of prepayments for lease	6,117	6,046
Changes in operating assets and liabilities		
Financial assets held for trading	-	515
Financial assets at fair value through profit or loss	34	-
Accounts receivable	(295,305)	(256,149)
Other receivables	-	(226)
Other receivables from related parties	-	333
Inventories	(11,202)	(3,545)
Prepayments	41,794	(41,129)
Other current assets	(51)	(38)
Accounts payable	230,698	137,083
Other payables	31,875	(1,927)
Other payables to related parties	(136)	(357)
Cash generated from operations	<u>1,376,717</u>	<u>1,224,558</u>
Income tax paid	<u>(395,391)</u>	<u>(276,421)</u>
Net cash generated from operating activities	<u>981,326</u>	<u>948,137</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of financial assets measured at cost	(2,664,800)	-
Proceeds from sale of financial assets measured at cost	2,664,800	-
Purchase of debt investments with no active market	-	(1,847,870)
Proceeds from sale of debt investments with no active market	-	2,118,290
Payments for property, plant and equipment	(111)	(4,404)
Proceeds from disposal of property, plant and equipment	10	3
Increase in other prepayments	(9,462)	(8,823)
Interest received	<u>31,406</u>	<u>31,934</u>
Net cash generated from investing activities	<u>21,843</u>	<u>289,130</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from short-term borrowings	647,346	1,666,971
Repayment of short-term borrowings	(94,389)	(1,495,380)
Increase (decrease) in guarantee deposit received	598	(1,540)

(Continued)

## TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

### CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017 (In Thousands of New Taiwan Dollars)

---

	2018	2017
Dividends paid to owners of the Company	\$ (396,920)	\$ (220,073)
Payments for buy-back of ordinary shares	(35,165)	-
Interest paid	<u>(19,856)</u>	<u>(10,172)</u>
Net cash generated from (used in) financing activities	<u>101,614</u>	<u>(60,194)</u>
EFFECTS OF EXCHANGE RATE CHANGES ON THE BALANCE OF CASH HELD IN FOREIGN CURRENCIES	<u>(75,021)</u>	<u>(8,100)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,029,762	1,168,973
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	<u>2,977,077</u>	<u>1,808,104</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>\$ 4,006,839</u>	<u>\$ 2,977,077</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, 2018 AND 2017

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

---

#### 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 25, 2019.

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

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

Except for the following, whenever applied, 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:

- 1) IFRS 9 “Financial Instruments” and related amendments

IFRS 9 supersedes IAS 39 “Financial Instruments: Recognition and Measurement”, with consequential amendments to IFRS 7 “Financial Instruments: Disclosures” and other standards. IFRS 9 sets out the requirements for classification, measurement and impairment of financial assets and hedge accounting. Refer to Note 4 for information relating to the relevant accounting policies.

##### Classification, measurement and impairment of financial assets

On the basis of the facts and circumstances that existed as of January 1, 2018, the Group has performed an assessment of the classification of recognized financial assets and has elected not to restate prior reporting periods.

The following table shows the original measurement categories and carrying amount under IAS 39 and the new measurement categories and carrying amount under IFRS 9 for each class of the Group's financial assets and financial liabilities as of January 1, 2018.

Financial Assets	Measurement Category		Carrying Amount		Remark
	IAS 39	IFRS 9	IAS 39	IFRS 9	
Cash	Loans and receivables	Amortized cost	\$ 2,977,077	\$ 2,977,077	
Trade receivables and other receivables	Loans and receivables	Amortized cost	2,304,935	2,304,935	a)
Refundable deposits	Loans and receivables	Amortized cost	228	228	a)
Time deposits with original maturities of more than 3 months	Loans and receivables	Amortized cost	1,323,850	1,323,850	b)

a) Accounts receivable and other receivables that were previously classified as loans and receivables under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9.

b) Debt investments previously classified as debt investments with no active market and measured at amortized cost under IAS 39 were classified as at amortized cost with an assessment of expected credit losses under IFRS 9, because on January 1, 2018, the contractual cash flows were solely payments of principal and interest on the principal outstanding and these investments were held within a business model whose objective is to collect contractual cash flows.

## 2) IFRS 15 “Revenue from Contracts with Customers” and related amendments

IFRS 15 establishes principles for recognizing revenue that apply to all contracts with customers and supersedes IAS 18 “Revenue”, IAS 11 “Construction Contracts” and a number of revenue-related interpretations. Refer to Note 4 for related accounting policies.

In identifying performance obligations, IFRS 15 and the related amendments require that a good or service is distinct if it is capable of being distinct (for example, the Group regularly sells it separately) and the promise to transfer it is distinct within the context of the contract (i.e. the nature of the promise in the contract is to transfer each good or service individually rather than to transfer a combined output).

Except for the reclassification listed above, the first-time adoption of the abovementioned revised Regulations Governing the Preparation of Financial Reports by Securities Issuers and the IFRSs endorsed by the Financial Supervisory Commission would not have significant impact on the Group's liabilities, equity, comprehensive income, and cash flows from operating activities, investment activities and financing activities.

## b. Amendments to the IFRSs endorsed by the FSC for application starting from 2019

New, Amended or Revised Standards and Interpretations (the “New IFRSs”)	Effective Date Announced by IASB (Note 1)
Annual Improvements to IFRSs 2015-2017 Cycle	January 1, 2019
Amendments to IFRS 9 “Prepayment Features with Negative Compensation”	January 1, 2019 (Note 2)
IFRS 16 “Leases”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019 (Note 3)
Amendments to IAS 28 “Long-term Interests in Associates and Joint Ventures”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019



Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: The FSC permits the election for early adoption of the amendments starting from 2018.

Note 3: The Group shall apply these amendments to plan amendments, curtailments or settlements occurring on or after January 1, 2019.

1) IFRS 16 “Leases”

IFRS 16 sets out the accounting standards for leases that will supersede IAS 17 and a number of related interpretations.

Definition of a lease

Upon initial application of IFRS 16, the Group will elect 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 will not be reassessed and will be accounted for in accordance with the transitional provisions under IFRS 16.

The Group as lessee

Upon initial application of IFRS 16, the Group will recognize 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 will be recognized as expenses on a straight-line basis. On the consolidated statements of comprehensive income, the Group will present 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 will be 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, are 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 anticipates applying IFRS 16 retrospectively with the cumulative effect of the initial application of this standard recognized on January 1, 2019. Comparative information will not be restated.

Anticipated impact on assets, liabilities and equity

	<b>Carrying Amount as of December 31, 2018</b>	<b>Adjustments Arising from Initial Application</b>	<b>Adjusted Carrying Amount as of 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>-</u>	<u>218,461</u>	<u>218,461</u>
Total effect on assets	<u>\$ 218,461</u>	<u>\$ -</u>	<u>\$ 218,461</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.

#### 2) IFRIC 23 “Uncertainty over Income Tax Treatments”

IFRIC 23 clarifies that when there is uncertainty over income tax treatments, the Group should assume that the taxation authority will have full knowledge of all related information when making related examinations. If the Group concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the Group should determine the taxable profit, tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatments used or planned to be used in its income tax filings. If it is not probable that the taxation authority will accept an uncertain tax treatment, the Group should make estimates using either the most likely amount or the expected value of the tax treatment, depending on which method the Group expects to better predict the resolution of the uncertainty. The Group has to reassess its judgments and estimates if facts and circumstances change.

#### 3) Annual Improvements to IFRSs 2015-2017 Cycle

Several standards, including IFRS 3, IFRS 11, IAS 12 and IAS 23 “Borrowing Costs”, were amended in this annual improvement. IAS 23 was amended to clarify that, if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, the related borrowing costs shall be included in the calculation of the capitalization rate on general borrowings.

Except for the above impacts, as of the date the consolidated financial statements were authorized for issue, the Group assesses other possible impacts that the application of the aforementioned amendments and the related amendments to the Regulations Governing the Preparation of Financial Reports by Securities Issuers will have on the Group’s financial position and financial performance and will disclose these other impacts when the assessment is completed.

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

<u>New IFRSs</u>	<u>Effective Date Announced by IASB (Note 1)</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 2)
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 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

Note 1: Unless stated otherwise, the above New IFRSs are effective for annual periods beginning on or after their respective effective dates.

Note 2: 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 3: The Group shall apply these amendments prospectively for annual reporting periods beginning on or after January 1, 2020.

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

#### 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 13 and Table 2 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 the Company and the Group entities (including subsidiaries in other countries that use currencies which are different from the currency of the Company) are translated into the presentation currency, the NTD, as follows: Assets and liabilities are translated at the exchange rates prevailing at the end of the reporting period; and income and expense items are translated at the average exchange rates for the period. The resulting currency translation differences are recognized in other comprehensive income. The exchange differences accumulated in equity, which resulted from the translation of the assets and liabilities of the Group entities into the presentation currency, are not subsequently reclassified to profit or loss.

f. Inventories

Inventories 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. Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets, to determine whether there is any indication that those assets have suffered 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.

i. 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

2018

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.

2017

Financial assets are classified into the following categories: Financial assets at FVTPL and loans and receivables.

i. Financial assets at FVTPL

Financial assets are classified as at FVTPL when such financial assets are held for trading.

Financial assets at FVTPL are stated 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. Loans and receivables

Loans and receivables (including cash, debt investments with no active market, trade receivables, other receivables and refundable deposits) are measured at amortized cost using the effective interest method, less any impairment, except for short-term receivables when the effect of discounting is immaterial.

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

2018

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.

2017

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence, as a result of one or more events that occurred after the initial recognition of such financial assets, that the estimated future cash flows of the investment have been affected.

Financial assets at amortized cost, such as trade receivables, are assessed for impairment on a collective basis even if they were assessed not to be impaired individually. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience with collecting payments, an increase in the number of delayed payments.

For a financial asset at amortized cost, the amount of the impairment loss recognized is the difference between such an asset's carrying amount and the present value of its estimated future cash flows, discounted at the financial asset's original effective interest rate.



For a financial asset at amortized cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment (at the date on which the impairment is reversed) does not exceed what the amortized cost would have been had the impairment not been recognized.

For all other financial assets, objective evidence of impairment could include significant financial difficulty of the issuer or counterparty, breach of contract such as a default or delinquency in interest or principal payments, it becoming probable that the borrower will enter bankruptcy or financial re-organization, or the disappearance of an active market for those financial assets because of financial difficulties.

The carrying amount of a financial asset is reduced by the impairment loss directly for all financial assets, with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss except for uncollectible trade receivables that are written off against the allowance account.

c) Derecognition of financial assets

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

Before 2018, on derecognition of a financial asset in its entirety, 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. Starting from 2018, 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.

### j. Revenue recognition

#### 2018

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.

#### 2017

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Allowances for sales returns and liabilities for returns are recognized at the time of sale based on the seller's reliable estimate of future returns and based on past experience and other relevant factors.

#### 1) Revenue from the sale of goods

Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- a) The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The amount of revenue can be measured reliably;
- d) It is probable that the economic benefits associated with the transaction will flow to the Group; and
- e) The costs incurred or to be incurred in respect of the transaction can be measured reliably.

2) Interest income

Interest income from a financial asset is recognized when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis with reference to the principal outstanding and at the applicable effective interest rate.

k. Leasing

Rental income from operating lease is recognized on a straight-line basis over the term of the relevant lease. Operating lease payments are recognized as expenses on a straight-line basis over the lease term.

l. 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.

m. Employee benefits

1) Short-term employee benefits

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

n. Share-based payment arrangements

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.

o. 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.

a. Estimated impairment of financial assets - 2018

The provision for impairment of trade receivables and investments in debt instruments is based on assumptions about risk of default and expected loss rates. The Group uses judgment in making these assumptions and in selecting the inputs to the impairment calculation, based on the Group's historical experience, existing market conditions as well as forward looking estimates as of the end of each reporting period. For details of the key assumptions and inputs used, see Note 9. Where the actual future cash inflows are less than expected, a material impairment loss may arise.

b. Estimated impairment of trade receivables - 2017

When there is objective evidence of impairment loss of receivables, the Group takes into consideration the estimation of the future cash flows of such assets. The amount of impairment loss is measured as the difference between such an asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. Where the actual future cash flows are less than expected, a material impairment loss may arise.

## 6. CASH AND CASH EQUIVALENTS

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Cash on hand	\$ 70	\$ 58
Demand deposits	3,991,116	2,977,019
Cash equivalents (time deposits with original maturities of less than 3 months)	<u>15,653</u>	<u>-</u>
	<u>\$ 4,006,839</u>	<u>\$ 2,977,077</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>2018</b>	<b>2017</b>
Demand deposits	0.00%-0.5%	0.00%-0.35%
Time deposits	3.05%	-

As of December 31, 2018 and 2017, the amounts of time deposits with original maturity of more than 3 months were \$1,296,880 thousand and \$1,323,850 thousand. The time deposits were classified as financial assets at amortized cost and debt investments with no active market (refer to Notes 8 and 10).

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

The wealth management products of the Group in a bank are non-principal guaranteed and floating income products, and the Group may redeem at any time. There were no unredeemed wealth management product as of December 31, 2018 and 2017.

The profits from the financial assets at FVTPL for the years ended December 31 of 2018 and 2017 were \$34 thousand and \$515 thousand, respectively.

## 8. FINANCIAL ASSETS AT AMORTIZED COST - 2018

**December 31,  
2018**

### Current

#### Domestic investments

Time deposits with original maturity of more than 3 months	<u>\$ 1,296,880</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. The time deposits were classified as debt investments with no active market under IAS 39. Refer to Note 3 and Note 10 for information relating to their reclassification and comparative information for 2017.

b. Refer to Note 9 for information relating to their credit risk management and impairment.

## 9. INVESTMENTS IN DEBT INSTRUMENTS - 2018

Investments in debt instruments were classified as at amortized cost.

**December 31,  
2018**

Gross carrying amount	\$ 1,296,880
Less: Allowance for impairment loss	<u>                  -</u>
Amortized cost	<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. DEBT INVESTMENTS WITH NO ACTIVE MARKET - 2017

**December 31,  
2017**

### Current

Time deposits with original maturities of more than 3 months	<u>\$ 1,323,850</u>
--	---------------------

As of December 31, 2017, the market interest rate of the time deposits with original maturities more than 3 months was 1.55%.

## 11. TRADE RECEIVABLES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Trade receivables</u>		
At amortized cost		
Gross carrying amount	\$ 2,546,510	\$ 2,303,838
Less: Allowance for impairment loss	<u>                  -</u>	<u>                  -</u>
	<u>\$ 2,546,510</u>	<u>\$ 2,303,838</u>
<u>Other receivables</u>		
Accrued interest income	<u>\$          466</u>	<u>\$         1,097</u>
a. Trade receivables		

### 2018

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

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, 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, 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.

## 2017

The Group applied the same credit policy in 2018 and 2017. Allowance for impairment loss was recognized based on the estimated irrecoverable amounts determined by reference to past default experience of the counterparties and an analysis of their current financial position.

The concentration of credit risk was limited because the Group's customers were a large number and unrelated.

As of December 31, 2017, there was no overdue trade receivable.

As of December 31, 2017, the Group did not recognize any loss allowance of trade receivables. The Group did not recognize any impairment loss for the year ended December 31, 2017.

### 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.

## 12. INVENTORIES

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Merchandise	<u>\$ 51,970</u>	<u>\$ 48,737</u>

The cost of inventories recognized as cost of goods sold for the years ended December 31, 2018 and 2017 was \$4,135,772 thousand and \$3,613,793 thousand, respectively. The cost of goods sold included inventory write-downs of \$6,892 thousand and \$3,830 thousand for the years ended December 31, 2018 and 2017.

## 13. SUBSIDIARIES

### Subsidiaries Included in the Consolidated Financial Statements

Investor	Investee	Nature of Activities	<u>Proportion of Ownership (%)</u>	
			<u>2018</u>	<u>2017</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.

## 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Equipment	Transportation Equipment	Office Equipment	Total
<u>Cost</u>					
Balance at January 1, 2017	\$ 454,572	\$ 3,245	\$ 18,713	\$ 4,452	\$ 480,982
Additions	4,168	-	-	236	4,404
Disposals	-	(8)	-	(56)	(64)
Effect of foreign currency exchange differences	<u>(5,066)</u>	<u>(36)</u>	<u>(211)</u>	<u>(48)</u>	<u>(5,361)</u>
Balance at December 31, 2017	<u>\$ 453,674</u>	<u>\$ 3,201</u>	<u>\$ 18,502</u>	<u>\$ 4,584</u>	<u>\$ 479,961</u>
<u>Accumulated depreciation</u>					
Balance at January 1, 2017	\$ 102,144	\$ 2,565	\$ 7,219	\$ 3,714	\$ 115,642
Disposals	-	(4)	-	(51)	(55)
Depreciation expenses	21,071	97	1,443	132	22,743
Effect of foreign currency exchange differences	<u>(879)</u>	<u>(28)</u>	<u>(64)</u>	<u>(39)</u>	<u>(1,010)</u>
Balance at December 31, 2017	<u>\$ 122,336</u>	<u>\$ 2,630</u>	<u>\$ 8,598</u>	<u>\$ 3,756</u>	<u>\$ 137,320</u>
Carrying amounts at December 31, 2017	<u>\$ 331,338</u>	<u>\$ 571</u>	<u>\$ 9,904</u>	<u>\$ 828</u>	<u>\$ 342,641</u>
<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 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



## 15. PREPAYMENTS FOR LEASES

	<u>December 31</u>	
	2018	2017
<u>Land use rights</u>		
Current assets (included in prepayment line item)	\$ 5,999	\$ 6,124
Non-current assets	<u>212,462</u>	<u>223,004</u>
	<u>\$ 218,461</u>	<u>\$ 229,128</u>

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 and 2017.

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

## 16. OTHER ASSETS

	<u>December 31</u>	
	2018	2017
<u>Current</u>		
Prepayments		
Prepaid advertisement expense	\$ -	\$ 41,839
Prepaid lease payments (Note 15)	5,999	6,124
Other prepaid expense	<u>184</u>	<u>189</u>
	<u>\$ 6,183</u>	<u>\$ 48,152</u>
<u>Non-current</u>		
Refundable deposits	<u>\$ 223</u>	<u>\$ 228</u>
Other prepayments		
Prepaid expense for network platform	<u>\$ 18,033</u>	<u>\$ 8,936</u>

## 17. SHORT-TERM BORROWINGS

	<u>December 31</u>	
	2018	2017
<u>Unsecured borrowings</u>		
Line of credit borrowings (a)	\$ 92,077	\$ -
Loans from related parties (b) (Note 30)	-	933,817
Loans from related parties (c) (Note 30)	<u>1,365,002</u>	<u>-</u>
	<u>\$ 1,457,079</u>	<u>\$ 933,817</u>

(Continued)

	<u>December 31</u>	
	2018	2017
<u>Interest rates</u>		
<u>Unsecured borrowings</u>		
Line of credit borrowings (a)	3.48%-3.52%	-
Loans from related parties (b) (Note 30)	-	2.20%
Loans from related parties (c) (Note 30)	3.20%	-
		(Concluded)

- 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. Loans from related parties of the Group were the amounts repayable to related parties with significant influence over the Group, and its interest rate is 2.20%. If 3M LIBOR+1% exceeds 2.20% in the future, the borrowing rate can be adjusted anytime. The principal and interest of the borrowings from related parties are paid in lump sum on maturity. However, the Group may repay some or all of the borrowings from related parties in advance according to its financial condition.
- 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 loans from related parties are due at maturity, and its interest rate is 3.20%. 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.

## 18. TRADE PAYABLES

	<u>December 31</u>	
	2018	2017
Trade payables	<u>\$ 1,477,852</u>	<u>\$ 1,277,635</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.

## 19. OTHER PAYABLES

	<u>December 31</u>	
	2018	2017
<u>Current</u>		
Other payables		
Payables for value-added taxes	\$ 41,899	\$ 47,081
Payables for salaries	36,501	32,895
Payables for advertisement	30,310	-
Payables for housing provident fund	18,237	18,617
		(Continued)

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Payables for other taxes	\$ 12,278	\$ 12,757
Payables for employees' bonus and directors' compensation	3,130	3,196
Payables for dividends	-	16,753
Other payables	<u>10,174</u>	<u>9,047</u>
	<u>\$ 152,529</u>	<u>\$ 140,346</u> (Concluded)

## 20. 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 \$5,307 thousand and \$5,318 thousand for the years ended December 31, 2018 and 2017, respectively. The Group does not have regulations for retirement.

## 21. EQUITY

### a. Share capital

#### Ordinary shares

	<b>December 31</b>	
	<b>2018</b>	<b>2017</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>82,645</u>	<u>78,710</u>
Shares issued	<u>\$ 826,451</u>	<u>\$ 787,096</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, 2017	70,276	\$ 702,760
Employees' restricted shares	1,406	14,060
Stock dividends	<u>7,028</u>	<u>70,276</u>
Balance at December 31, 2017	<u>78,710</u>	<u>\$ 787,096</u> (Continued)

	<b>Number of Shares (In Thousands)</b>	<b>Amount</b>
Balance at January 1, 2018	78,710	\$ 787,096
Dividends	<u>3,935</u>	<u>39,355</u>
Balance at December 31, 2018	<u>82,465</u>	<u>\$ 826,451</u> (Concluded)

On June 22, 2017, the shareholders' meeting decided to issue private placement of securities according to the operational needs. The type of private placement of securities include common stock, overseas or domestic convertible bonds, and ordinary bonds. It is intended to be no more than 10,000 thousand shares common stock. ( The bonds are proposed by the board of directors.) It will be issued one time or several times (maximum of three times) in one year. The price of private placement of securities will be determined in accordance with relevant laws and regulations. On August 9, 2017, the abovementioned private placement of securities would not issued by the board of directors.

b. Capital surplus

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
<u>May be used to offset a deficit, distributed as cash dividends, or transferred to share capital</u>		
Share premium	\$ 1,517,887	\$ 1,398,377
<u>May not be used for any purpose</u>		
Employees' restricted shares	<u>-</u>	<u>119,510</u>
	<u>\$ 1,517,887</u>	<u>\$ 1,517,887</u>

The reconciliation of capital surplus for the years ended December 31, 2018 and 2017 is shown below:

	<b>Share Premium</b>	<b>Employees' Restricted Shares</b>
Balance at January 1, 2017	\$ 1,398,377	\$ -
Grant date of employees' restricted shares - August 9, 2017	<u>-</u>	<u>119,510</u>
Balance at December 31, 2017	<u>\$ 1,398,377</u>	<u>\$ 119,510</u>
Balance at January 1, 2017	\$ 1,398,377	\$ 119,510
Employees' restricted shares - achieved vesting conditions	<u>119,510</u>	<u>(119,510)</u>
Balance at December 31, 2018	<u>\$ 1,517,887</u>	<u>\$ -</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 2017 and 2016 approved in the shareholders' meetings on June 21, 2018 and June 22, 2017, respectively, were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividends Per Share (NT\$)</u>	
	<u>For the Year Ended</u>		<u>For the Year Ended</u>	
	<u>December 31</u>		<u>December 31</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Legal reserve	\$ 91,292	\$ 73,525		
Special reserve	34,768	192,141		
Cash dividends	380,167	226,992	\$ 4.83	\$ 3.23
Share dividends	39,355	70,276	0.50	1.00

Proposal for a new share issue through capitalization of earnings for 2017 and 2016 had been approved by the Company's board of directors and the ex-dividend date was on December 3, 2018 and December 13, 2017, respectively.

The Company issued new employees' restricted shares in 2017. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, those new employees' restricted shares that failed to meet the vesting conditions can participate in the Company's allotment but not allowed to participate in the Company's dividend. Therefore, share dividends for 2016 had been adjusted from \$1.00 per share to \$0.98038559 per share.

d. Special reserves

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Beginning at January 1	\$ 192,141	\$ -
Appropriations in respect of debits to other equity items	<u>34,768</u>	<u>192,141</u>
Balance at December 31	<u>\$ 226,909</u>	<u>\$ 192,141</u>

e. Other equity items

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

	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Balance at January 1	\$ (226,909)	\$ (192,141)
Exchange differences on translation to the presentation currency	<u>(95,632)</u>	<u>(34,768)</u>
Balance at December 31	<u>\$ (322,541)</u>	<u>\$ (226,909)</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 26).

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Balance at January 1	\$ (22,261)	\$ -
Issue of employee restricted shares	-	(133,570)
Compensation cost of employees' restricted shares	<u>22,261</u>	<u>111,309</u>
Balance at December 31	<u>\$ -</u>	<u>\$ (22,261)</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, 2018	-
Increase during the year	<u>419</u>
Number of shares at December 31, 2018	<u>419</u>

On November 9, 2017, 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 419 thousand shares of treasury shares at cost of \$35,165 thousand. During the period of repurchase, 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.

**22. REVENUE**

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Revenue from contracts with customers		
Revenue from sale of goods	<u>\$ 6,764,779</u>	<u>\$ 5,916,268</u>

- a. The amount of contract balance of the Group included in trade receivable was \$2,546,510 thousand as of December 31, 2018 (see Note 11).

b. Disaggregation of revenue.

Primary geographical markets	
China	<u>\$ 6,764,779</u>
Major goods	
Infant clothing	\$ 1,329,806
Other children's clothing	<u>5,434,973</u>
	<u>\$ 6,764,779</u>
Timing of revenue recognition	
Satisfied at shipping point	\$ 6,764,400
Satisfied at customer specified point	<u>379</u>
	<u>\$ 6,764,779</u>

**23. NET PROFIT**

Net profit was derived after the following:

a. Depreciation and amortization

	<u>For the Year Ended December 31</u>	
	2018	2017
Property, plant and equipment	\$ 23,665	\$ 22,743
Long-term prepayment for lease	<u>6,117</u>	<u>6,046</u>
	<u>\$ 29,782</u>	<u>\$ 28,789</u>
An analysis of depreciation by function		
Operating expenses	<u>\$ 23,665</u>	<u>\$ 22,743</u>
An analysis of amortization by function		
Operating expenses	<u>\$ 6,117</u>	<u>\$ 6,046</u>

b. Employees' benefits expense

	<u>For the Year Ended December 31</u>	
	2018	2017
Short-term benefits	\$ 144,478	\$ 132,519
Post-employment benefits		
Defined contribution plans (Note 20)	5,307	5,318
Other employees' benefits	3,192	3,155
Share-based payments		
Equity-settled	<u>22,261</u>	<u>111,309</u>
	<u>\$ 175,238</u>	<u>\$ 252,301</u>
An analysis of employees' benefits expense by function		
Operating expenses	<u>\$ 175,238</u>	<u>\$ 252,301</u>



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, 2018 and 2017, which were approved by the Company's board of directors on March 25, 2019 and March 23, 2018, respectively, are as follows:

Amount

	2018	2017
Employees' compensation	\$ -	\$ -
Remuneration of directors and supervisors	3,192	3,155

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, 2017 and 2016.

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.

## 24. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

	<u>For the Year Ended December 31</u>	
	2018	2017
Current tax		
In respect of the current period	\$ 384,608	\$ 361,318
Adjustments for prior periods	<u>5,097</u>	<u>(3)</u>
	389,705	361,315
Deferred tax		
In respect of the current period	<u>(19,477)</u>	<u>(14,134)</u>
	<u>\$ 370,228</u>	<u>\$ 347,181</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Profit before tax	<u>\$ 1,323,854</u>	<u>\$ 1,260,098</u>
Income tax expense calculated at the statutory rate	\$ 364,963	\$ 340,177
Permanent difference	168	7,007
Adjustments for prior years' tax	<u>5,097</u>	<u>(3)</u>
Income tax expense recognized in profit or loss	<u>\$ 370,228</u>	<u>\$ 347,181</u>

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

b. Current tax liabilities

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Current tax liabilities		
Income tax payable	<u>\$ 125,740</u>	<u>\$ 134,047</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, 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>

For the year ended December 31, 2017

	<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>\$ 14,056</u>	<u>\$ 13,573</u>	<u>\$ 16</u>	<u>\$ 27,645</u>
<u>Deferred tax liabilities</u>				
Temporary differences				
Investments accounted for using the equity method	\$ 310,472	\$ -	\$ (3,496)	\$ 306,976
Others	<u>852</u>	<u>(561)</u>	<u>(17)</u>	<u>274</u>
	<u>\$ 311,324</u>	<u>\$ (561)</u>	<u>\$ (3,513)</u>	<u>\$ 307,250</u>

d. Income tax assessments

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

**25. EARNINGS PER SHARE**

Unit: NT\$ Per Share

	<u>For the Year Ended December 31</u>	
	2018	2017
Basic earnings per share	<u>\$ 11.56</u>	<u>\$ 11.25</u>
Diluted earnings per share	<u>\$ 11.56</u>	<u>\$ 11.19</u>

The weighted average number of shares outstanding used for the earnings per share computation was adjusted retroactively for the issuance of bonus shares on December 3, 2018. The basic and diluted earnings per share adjusted retrospectively for the year ended December 31, 2017 were as follows:

Unit: NT\$ Per Share

	<b>Before Retrospective Adjustment</b>	<b>After Retrospective Adjustment</b>
Basic earnings per share	<u>\$ 11.81</u>	<u>\$ 11.25</u>
Diluted earnings per share	<u>\$ 11.74</u>	<u>\$ 11.18</u>

**Net Profit for the Year**

	<u>For the Year Ended December 31</u>	
	2018	2017
Earnings used in the computation of basic and diluted earnings per share	<u>\$ 953,626</u>	<u>\$ 912,917</u>

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

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Weighted average number of ordinary shares used in the computation of basic earnings per share	\$ 82,479	\$ 81,169
Effect of potentially dilutive ordinary shares		
Employee restricted shares	<u>          -</u>	<u>          470</u>
Weighted average number of ordinary shares used in the computation of diluted earnings per share	<u>\$ 82,479</u>	<u>\$ 81,639</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.

## 26. 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 years ended December 31, 2018 and 2017, please see Note 21.b. - Capital surplus and Note 21.e. - Unearned employee benefits.

## 27. OPERATING LEASE ARRANGEMENTS

### a. The Group as lessee

Please refer also to Note 15 for operating leases of office and warehouse with lease terms not exceeding 1 year.

As of December 31, 2018 and 2017, the Group's refundable deposits for operating leases were \$223 thousand and \$228 thousand, respectively.

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

	<b>December 31</b>	
	<b>2018</b>	<b>2017</b>
Not later than 1 year	<u>\$ 5,211</u>	<u>\$ 3,725</u>

b. The Group as lessor

The Group leases under operating leases part of the building with lease terms between 1 to 6 years.

As of December 31, 2018 and 2017, guarantee deposits received for operating leases were \$2,872 thousand and \$2,333 thousand, respectively.

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

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
Not later than 1 year	\$ 18,851	\$ 40,557
Later than 1 year and not later than 5 years	<u>4,636</u>	<u>18,693</u>
	<u>\$ 23,487</u>	<u>\$ 59,250</u>

## 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

As of December 31, 2018 and 2017, there was no financial instrument measured at fair value on a recurring basis.

c. Categories of financial instruments

	<u>December 31</u>	
	<u>2018</u>	<u>2017</u>
<u>Financial assets</u>		
Loans and receivables (1)	\$ -	\$ 6,606,090
Financial assets at amortized cost (2)	7,850,918	-
<u>Financial liabilities</u>		
Financial liabilities at amortized cost (3)	3,102,965	2,360,208

- 1) The balances include loans and receivables measured at amortized cost, which comprise cash and cash equivalents, debt investments with no active market, trade and other receivable, and refundable deposits.
- 2) The balances include financial assets at amortized cost, which comprise cash and cash equivalents, debt investments, trade receivable and other receivables, and refundable deposits.
- 3) The balances include financial liabilities at amortized cost, which comprise short-term loans, trade and other payables, other payables to related parties, 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 31.

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	
	2018	2017	2018	2017
Pre-tax profit or loss	\$ 73,679	\$ 46,313	\$ 21	\$ 850

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:

	December 31	
	2018	2017
Fair value interest rate risk		
Financial assets	\$ 3,991,116	\$ 2,977,019
Financial liabilities	1,457,079	933,817
Cash flow interest rate risk		
Financial assets	1,312,533	1,323,850

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, 2018 and 2017 would have increased/decreased by \$25,340 thousand and \$20,432 thousand, respectively.

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, 2018 and 2017. 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 27 for related information.

#### 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

#### December 31, 2017

	<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	\$ _____ -	\$ _____ -	\$ 933,817	\$ _____ -	\$ 933,817

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
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. Operating expense - rental and property management expense

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Associate owned by the same director		
Taiwan Toprich International Ltd.	\$ 790	\$ 975
Fuzhou Spring Investment Corp., Ltd	<u>3,544</u>	<u>3,152</u>
	<u>\$ 4,334</u>	<u>\$ 4,127</u>

c. Rent revenue

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Associate owned by the same director		
Fujian Eastdragon Group Corp. Ltd	<u>\$ 18,795</u>	<u>\$ 15,549</u>

d. Other income - property management income

<u>Related Party Category/Name</u>	<u>For the Year Ended December 31</u>	
	<u>2018</u>	<u>2017</u>
Associate owned by the same director		
Fujian Eastdragon Group Corp. Ltd	<u>\$ 445</u>	<u>\$ 440</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. Payables to related parties (excluding loans from related parties)

Line Item	Related Party Category/Name	December 31	
		2018	2017
Other payable - related parties	Associate owned by the same director Topwealth International Holdings Limited	<u>\$ 12,633</u>	<u>\$ 6,077</u>

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

f. Refundable deposits

Related Party Category/Name	December 31	
	2018	2017
Associate owned by the same director Fuzhou Spring Investment Corp., Ltd	<u>\$ 223</u>	<u>\$ 228</u>

g. Guarantee deposit received

Related Party Category/Name	December 31	
	2018	2017
Associate owned by the same director Fujian Eastdragon Group Corp. Ltd	<u>\$ 447</u>	<u>\$ 457</u>

h. Loans from related parties

Related Party Category/Name	December 31	
	2018	2017
<u>Short-term Borrowings</u>		
Investors with significant influence over the Group Topwealth International Holdings Limited	<u>\$ 1,365,002</u>	<u>\$ 933,817</u>

Related Party Category/Name	For the Year Ended December 31	
	2018	2017
<u>Interest expense</u>		
Investors with significant influence over the Group Topwealth International Holdings Limited	<u>\$ 26,286</u>	<u>\$ 6,000</u>

The Group obtained loans from related parties at rates comparable to market interest rates (see Note 17). The loans from related parties were unsecured.

i. Compensation of key management personnel

	<b>For the Year Ended December 31</b>	
	<b>2018</b>	<b>2017</b>
Short-term employee benefits	\$ 41,187	\$ 36,991
Post-employment benefits	394	389
Other employee benefits	3,192	3,155
Share-based payments	<u>13,316</u>	<u>66,579</u>
	<u>\$ 58,089</u>	<u>\$ 107,114</u>

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

### 31. SIGNIFICANT UNRECOGNIZED COMMITMENTS

On October 22, 2018, the board of directors of the Company decided that subsidiary company TOPBI (China) Fashion Corp., Ltd. and Jiangsu Longstar SITC Holding Corp., Ltd. ( the same person in-charge who has actual control over the Company) shall sign the investment letter of intent to build an e-commerce industrial park for an amount not to exceed RMB300,000 thousand.

As of March 25, 2019, the Group has not yet invested.

### 32. 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, 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

December 31, 2017

	<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Carrying Amount</b>
<u>Financial assets</u>			
Monetary items			
USD	\$ 138	6.5342 (USD:RMB)	\$ 4,119
NTD	207	0.2191 (NTD:RMB)	207
<u>Financial liabilities</u>			
Monetary items			
USD	31,590	6.5342 (USD:RMB)	942,292
NTD	17,424	0.2191 (NTD:RMB)	17,424

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

<b>For the Year Ended December 31</b>				
<b>2018</b>			<b>2017</b>	
<b>Foreign Currencies</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>	<b>Exchange Rate</b>	<b>Net Foreign Exchange Gains (Losses)</b>
USD	6.6118 (USD:RMB)	\$ (61,175)	6.7547 (USD:RMB)	\$ 44,795
NTD	0.2193 (NTD:RMB)	<u>(10)</u>	0.2219 (NTD:RMB)	<u>4,002</u>
		<u>\$ (61,185)</u>		<u>\$ 48,797</u>

### 33. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: None
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures):  
None
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20%  
of the paid-in capital: None
- 5) 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: None
  - 9) Trading in derivative instruments: None
  - 10) Intercompany relationships and significant intercompany transactions (Table 1)
  - 11) Information on investees (Table 2)
- 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 3)
  - 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: None
    - 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

### 34. 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 2018 and 2017 can refer to the consolidated financial income of the year of 2018 and 2017. 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>2018</b>	<b>2017</b>
Infant clothing	\$ 1,329,806	\$ 1,869,170
Other children's clothing	<u>5,434,973</u>	<u>4,047,098</u>
	<u>\$ 6,764,779</u>	<u>\$ 5,916,268</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 2018 and 2017.

**TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES**  
**INTERCOMPANY RELATIONSHIPS AND SIGNIFICANT INTERCOMPANY TRANSACTIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2018**  
(Amounts in Thousands of New Taiwan Dollars)

No.	Investee Company	Counterparty	Relationship	Transaction Details			% of Total Sales or Assets
				Financial Statement Accounts	Amount	Payment Terms	
0	The Company	TOPBI (China) Fashion Corp., Ltd. TOPBI Children Apparel Co., Limited (HK)	A A	Payables to related parties Receivables from related parties	\$ 3,049 863	Advance payment Advance payment	- -
1	TOPBI (China) Fashion Corp., Ltd.	TOPBI Children Apparel Co., Limited (HK)	C	Receivables from related parties	1	Advance payment	-

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.

## TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEES  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount December 31, December 31, 2018	As of December 31, 2018		Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
					Number of Shares	Carrying Amount			
The Company	TOPBI Children Apparel Co., Limited	Hong Kong	Investment	\$ 1,424,998	174,227,460	100.00	\$ 5,677,697	\$ 1,034,713	

Note A: The original investment amount of current and previous period were both RMB318,645 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 and investee company have been eliminated on consolidation.

Note C: For investments in mainland China, refer to Table 3.



## TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTMENTS IN MAINLAND CHINA  
FOR THE YEAR ENDED DECEMBER 31, 2018  
(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, 2018	Remittance of Funds		Accumulated Outward Investment from Taiwan as of December 31, 2018	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2018	Accumulated Repatriation of Investment Income as of December 31, 2018	Note
					Outward	Inward							
TOPBI (China) Fashion Corp., Ltd.	Sales of branded children's clothing	\$ 804,960	Investment through TOPBI Children Apparel Co., Limited and Fujian SOD Textile & Industry Goods Corp., Ltd.	\$ -	\$ -	\$ -	\$ -	\$ 1,089,623	100.00	\$ 1,089,623	\$ 6,724,642	\$ -	B
Fujian SOD Textile & Industry Goods Corp., Ltd.	Investment	214,567	Investment through Fujian SOD Textile & Industry Goods Corp., Ltd.	-	-	-	-	289,622	100.00	289,622	1,787,410	-	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

TOPBI International Holdings Limited



Chairman : Zhou Xun Cai



## 淘帝國際控股有限公司

TOPBI INTERNATIONAL HOLDINGS LIMITED

地址：Vistra (Cayman) Limited, P.O.Box 31119 Grand Pavilion, Hibiscus Way,  
802 West Bay Road, Grand Cayman, KY1-1205 Cayman Islands

電話：(86) 591-8381-2057