

**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	%
CURRENT ASSETS				
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	7,909,543	93	6,703,409	92
NON-CURRENT ASSETS				
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	589,281	7	602,454	8
TOTAL	\$ 8,498,824	100	\$ 7,305,863	100
LIABILITIES AND EQUITY				
CURRENT LIABILITIES				
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	3,225,836	38	2,491,925	34
NON-CURRENT LIABILITIES				
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	303,710	4	309,583	4
Total liabilities	3,529,546	42	2,801,508	38
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY				
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	2,982,646	35	2,448,542	33
Other equity	(322,541)	(4)	(249,170)	(3)
Treasury shares	(35,165)	(1)	-	-
Total equity	4,969,278	58	4,504,355	62
TOTAL	\$ 8,498,824	100	\$ 7,305,863	100

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)		Capital Surplus (Notes 21 and 26)	Retained Earnings (Note 21)		Exchange Differences on Translating Foreign Operations (Note 21)	Unearned Employee Benefit (Notes 21 and 26)	Treasury Shares (Note 21)		
	Shares (In Thousands)	Amount		Legal Reserve	Special Reserve				Unappropriated Earnings	
BALANCE AT JANUARY 1, 2017	70,276	\$ 702,760	\$ 1,398,377	\$ 220,116	\$ -	\$ 1,612,777	\$ (192,141)	\$ -	\$ -	\$ 3,741,889
Appropriation of 2016 earnings										
Legal reserve	-	-	-	73,525	-	(73,525)	-	-	-	-
Special reserve	-	-	-	-	192,141	(192,141)	-	-	-	-
Cash dividends distributed by the Company - NT\$3.23 per share	-	-	-	-	-	(226,992)	-	-	-	(226,992)
Share dividends distributed by the Company - NT\$1.00 per share	7,028	70,276	-	-	-	(70,276)	-	-	-	-
	7,028	70,276	-	73,525	192,141	(562,934)	-	-	-	(226,992)
Net profit for the year ended December 31, 2017	-	-	-	-	-	912,917	-	-	-	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)	-	-
Compensation cost of employees' restricted shares	-	-	-	-	-	-	-	111,309	-	111,309
BALANCE AT DECEMBER 31, 2017	78,710	787,096	1,517,887	293,641	192,141	1,962,760	(226,909)	(22,261)	-	4,504,355
Appropriation of 2017 earnings										
Legal reserve	-	-	-	91,292	-	(91,292)	-	-	-	-
Special reserve	-	-	-	-	34,768	(34,768)	-	-	-	-
Cash dividends distributed by the Company - NT\$4.83 per share	-	-	-	-	-	(380,167)	-	-	-	(380,167)
Share dividends distributed by the Company - NT\$0.50 per share	3,935	39,355	-	-	-	(39,355)	-	-	-	-
	3,935	39,355	-	91,292	34,768	(545,582)	-	-	-	(380,167)
Buy-back of ordinary shares	-	-	-	-	-	-	-	-	(35,165)	(35,165)
Net profit for the year ended December 31, 2018	-	-	-	-	-	953,626	-	-	-	953,626
Other comprehensive income (loss) for the year ended December 31, 2018, net of income tax	-	-	-	-	-	-	(95,632)	-	-	(95,632)
Total comprehensive income (loss) for the year ended December 31, 2018	-	-	-	-	-	953,626	(95,632)	-	-	857,994
Compensation cost of employees' restricted shares	-	-	-	-	-	-	-	22,261	-	22,261
BALANCE AT DECEMBER 31, 2018	82,645	\$ 826,451	\$ 1,517,887	\$ 384,933	\$ 226,909	\$ 2,370,804	\$ (322,541)	\$ -	\$ (35,165)	\$ 4,969,278

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
CASH FLOWS FROM OPERATING ACTIVITIES		
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	1,376,717	1,224,558
Income tax paid	(395,391)	(276,421)
Net cash generated from operating activities	981,326	948,137
CASH FLOWS FROM INVESTING ACTIVITIES		
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	31,406	31,934
Net cash generated from investing activities	21,843	289,130
CASH FLOWS FROM FINANCING ACTIVITIES		
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)

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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

	Carrying Amount as of December 31, 2018	Adjustments Arising from Initial Application	Adjusted Carrying Amount as of January 1, 2019
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

New IFRSs	Effective Date Announced by IASB (Note 1)
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

	December 31	
	2018	2017
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:

	December 31	
	2018	2017
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 \$ 1,296,880

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 -

Amortized cost \$ 1,296,880

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 \$ 1,323,850

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

	December 31	
	2018	2017
<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

	December 31	
	2018	2017
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	Proportion of Ownership (%)	
			December 31	
			2018	2017
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

	December 31	
	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

	December 31	
	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

	December 31	
	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)

	December 31	
	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

	December 31	
	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

	December 31	
	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)

	December 31	
	2018	2017
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

	December 31	
	2018	2017
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:

	Number of Shares (In Thousands)	Amount
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)

	Number of Shares (In Thousands)	Amount
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

	December 31	
	2018	2017
<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:

	Share Premium	Employees' Restricted Shares
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:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For the Year Ended December 31		For the Year Ended December 31	
	2017	2016	2017	2016
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

	For the Year Ended December 31	
	2018	2017
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

	For the Year Ended December 31	
	2018	2017
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).

	For the Year Ended December 31	
	2018	2017
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

Purpose of Buy-back	Shares Transferred to Employees (In Thousands of Shares)
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

	For the Year Ended December 31	
	2018	2017
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

	For the Year Ended December 31	
	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

	For the Year Ended December 31	
	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:

	For the Year Ended December 31	
	2018	2017
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

	December 31	
	2018	2017
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

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<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

	Opening Balance	Recognized in Profit or Loss	Exchange Differences	Closing Balance
<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

	Before Retrospective Adjustment	After Retrospective Adjustment
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:

	For the Year Ended December 31	
	2018	2017
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:

	December 31	
	2018	2017
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:

	December 31	
	2018	2017
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

	December 31	
	2018	2017
<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 charges 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

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

December 31, 2017

	On Demand or Less than 1 Month	1-3 Months	3 Months to 1 Year	1-5 Years	Total
<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

	For the Year Ended December 31	
	2018	2017
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

	Foreign Currencies	Exchange Rate	Carrying Amount
<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

	Foreign Currencies	Exchange Rate	Carrying Amount
<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:

For the Year Ended December 31				
2018			2017	
Foreign Currencies	Exchange Rate	Net Foreign Exchange Gains (Losses)	Exchange Rate	Net Foreign Exchange Gains (Losses)
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.

	For the Year Ended December 31	
	2018	2017
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.

TABLE 1

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			
				Financial Statement Accounts	Amount	Payment Terms	% of Total Sales or Assets
0	The Company	TOPBI (China) Fashion Corp., Ltd. TOPBI Children Apparel Co., Limited (HK)	A A	Payables to related parties	\$ 3,049	Advance payment	-
				Receivables from related parties	863	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.

TABLE 2

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

INFORMATION ON INVESTEEES
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		As of December 31, 2018			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2018	December 31, 2017	Number of Shares	%	Carrying Amount			
The Company	TOPBI Children Apparel Co., Limited	Hong Kong	Investment	\$ 1,424,998	\$ 1,424,998	174,227,460	100.00	\$ 5,677,697	\$ 1,034,713	\$ 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 between the investor company and investee company have been eliminated on consolidation.

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

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 Remittance for 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.