

**TOPBI International Holdings Limited and
Subsidiaries**

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Shareholders
TOPBI International Holdings Limited

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Recognition of Revenue

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

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

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

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

Existence of Cash and Bank Deposits

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

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

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

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

5. We examined bank confirmation responses for any restricted bank deposits and verified that they were properly disclosed in the consolidated financial statements.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to

the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision, and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements for the year ended December 31, 2018 and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

Deloitte & Touche
Taipei, Taiwan
Republic of China

March 30, 2020

Notice to Readers

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

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

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

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

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

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

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

(Continued)

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

	<u>2019</u>		<u>2018</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
NET PROFIT ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 1,134,819</u>	<u>16</u>	<u>\$ 953,626</u>	<u>14</u>
TOTAL COMPREHENSIVE INCOME				
ATTRIBUTABLE TO:				
Owners of the Company	<u>\$ 921,177</u>	<u>13</u>	<u>\$ 857,994</u>	<u>13</u>
EARNINGS PER SHARE (Note 26)				
Basic	<u>\$ 12.01</u>		<u>\$ 10.06</u>	

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

(Concluded)

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

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

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

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

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

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TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

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

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

(Concluded)

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

1. GENERAL INFORMATION

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

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

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

2. APPROVAL OF FINANCIAL STATEMENTS

The consolidated financial statements were approved by the Company’s board of directors on March 30, 2020.

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

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

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

- IFRS 16 “Leases”

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

Definition of a lease

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

The Group as lessee

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

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

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

	As Originally Stated on January 1, 2019	Adjustments Arising from Initial Application	Restated on 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>218,461</u>	218,461
Total effect on assets		<u>\$ -</u>	

The Group as lessor

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

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

New IFRSs	Effective Date Announced by IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020 (Note 1)
Amendments to IFRS 9, IAS 39 and IFRS 7 “Interest Rate Benchmark Reform”	January 1, 2020 (Note 2)
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020 (Note 3)

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

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

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

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

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

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

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Statement of compliance

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

b. Basis of preparation

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

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

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

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

Current assets include:

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

Current liabilities include:

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

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

d. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and the entities controlled by the Company (i.e., its subsidiaries, including structured entities). Subsidiaries have brought their accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated in full upon consolidation.

See Note 12, Table 6 and Table 7 for detailed information on subsidiaries (including percentages of ownership and main businesses).

e. Foreign currencies

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

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

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

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

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

f. Inventories

Inventories are mainly merchandise and stated at the lower of cost or net realizable value. Inventory write-downs are made by item. The net realizable value is the estimated selling price of inventories less all estimated costs necessary to make the sale. Inventories are recorded at the weighted-average cost on the balance sheet date.

g. Property, plant and equipment

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

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

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

h. Intangible assets

1) Intangible assets acquired separately

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

2) Derecognition of intangible assets

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

i. Impairment of tangible assets and intangible assets

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

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

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

j. Financial instruments

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

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

1) Financial assets

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

a) Measurement categories

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

i. Financial assets at FVTPL

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

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

ii. Financial assets at amortized cost

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

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

Subsequent to initial recognition, financial assets at amortized cost, including cash and cash equivalents, time deposits with original maturities of more than 3 months, trade receivables at amortized cost, other receivables at amortized and refundable deposits, are measured at amortized cost, which equals the gross carrying amount determined using the effective interest method less any impairment loss. Exchange differences are recognized in profit or loss.

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

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

Cash equivalents include time deposits with original maturities within 3 months from the date of acquisition, which are highly liquid, readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These cash equivalents are held for the purpose of meeting short-term cash commitments.

b) Impairment of financial assets

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

The Group always recognizes lifetime expected credit losses (i.e. ECLs) for trade receivables. For all other financial instruments, the Group recognizes lifetime ECLs when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on a financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECLs.

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

The Group recognizes an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVTOCI, for which the loss allowance is recognized in other comprehensive income and does not reduce the carrying amount of such a financial asset.

c) Derecognition of financial assets

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

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

2) Equity instruments

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

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

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

3) Financial liabilities

a) Subsequent measurement

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

b) Derecognition of financial liabilities

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

k. Revenue recognition

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

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

Revenue from the sale of goods comes from sale of brands children's clothing. Sales of children's clothing is recognized as revenue when the goods are shipped because it is the time when the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility for sales to future customers and bears the risks of obsolescence. Sales revenue and trade receivables are recognized concurrently. For sales of children's clothing through the online platform, revenue is recognized when the goods are delivered to the customer's specific location.

l. Leasing

2019

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

1) The Group as lessor

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

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

2) The Group as lessee

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

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

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

2018

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

1) The Group as lessor

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

2) The Group as lessee

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

m. Borrowing costs

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

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

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

n. Employee benefits

1) Short-term employee benefits

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

2) Retirement benefits

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

o. Share-based payment arrangements

1) Employee share options

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

2) Restricted shares for employees

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

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

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

p. Taxation

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

1) Current tax

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

2) Deferred tax

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

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

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

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

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

3) Current and deferred taxes for the year

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

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

After assessing by the management, the application of the Group's accounting policies, estimates and underlying assumptions do not contain significant accounting judgments, estimates and assumptions of uncertainty.

6. CASH AND CASH EQUIVALENTS

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

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

	December 31	
	2019	2018
Demand deposits	0.00%-0.35%	0.00%-0.5%
Time deposits	-	3.05%

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

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

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

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

8. FINANCIAL ASSETS AT AMORTIZED COST

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

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

9. INVESTMENTS IN DEBT INSTRUMENTS

Investments in debt instruments were classified as at amortized cost.

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

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

10. TRADE RECEIVABLES

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

a. Trade receivables

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

In order to minimize credit risk, the management of the Group has delegated a team responsible for determining credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate allowance is made for possible irrecoverable amounts. In this regard, the management believes the Group's credit risk was significantly reduced.

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

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

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

b. Other receivable

The expected credit losses on other trade receivables are estimated by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of economic conditions at the reporting date.

11. INVENTORIES

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

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

12. SUBSIDIARIES

Subsidiaries Included in the Consolidated Financial Statements

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT

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

a. Assets used by the Group - 2019

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

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

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

b. Assets leased under operating leases -2019

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

(Continued)

Buildings

Accumulated depreciation and impairment

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

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

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

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

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

Buildings	20 years
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c. 2018

	Buildings	Equipment	Transportation Equipment	Office Equipment	Total
<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	(9,242)	(63)	(377)	(96)	(9,778)
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	(2,916)	(53)	(204)	(80)	(3,253)
Balance at December 31, 2018	<u>\$ 141,371</u>	<u>\$ 2,606</u>	<u>\$ 9,854</u>	<u>\$ 3,835</u>	<u>\$ 157,666</u>
Carrying amounts at December 31, 2018	<u>\$ 303,061</u>	<u>\$ 436</u>	<u>\$ 8,271</u>	<u>\$ 764</u>	<u>\$ 312,532</u>

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

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

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

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

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

14. LEASE ARRANGEMENTS

a. Right-of-use assets - 2019

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

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

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

b. Other lease information

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

2019

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

Expenses relating to short-term leases	<u>\$ 6,408</u>
Total cash outflow for leases	<u>\$ 6,408</u>

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

2018

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

**December 31,
2018**

Not later than 1 year	<u>\$ 5,211</u>
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15. OTHER INTANGIBLE ASSETS

**Computer
Software**

Cost

Balance at January 1, 2019	\$ -
Additions	<u>17,508</u>

Balance at December 31, 2019	<u>\$ 17,508</u>
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Accumulated amortization and impairment

Balance at January 1, 2019	\$ -
Amortization expenses	3,210
Impairment losses recognized	<u>14,298</u>

Balance at December 31, 2019	<u>\$ 17,508</u>
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Carrying amounts at December 31, 2019	<u>\$ -</u>
---------------------------------------	-------------

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

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

Computer software	5 years
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2019

An analysis of depreciation by function

General and administrative expenses	<u>\$ 3,210</u>
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16. PREPAYMENTS FOR LEASES

**December 31,
2018**

Land use rights

Current assets (included in prepayment line item)	\$ 5,999
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Non-current assets	<u>212,462</u>
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\$ 218,461

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

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

17. OTHER ASSETS

	December 31	
	2019	2018
<u>Current</u>		
Prepayments		
Prepaid lease payments (Note 16)	\$ -	\$ 5,999
Other prepaid expense	<u>177</u>	<u>184</u>
	<u>\$ 177</u>	<u>\$ 6,183</u>
<u>Non-current</u>		
Refundable deposits	<u>\$ 215</u>	<u>\$ 223</u>
Other prepayments		
Prepaid expense for network platform	<u>\$ -</u>	<u>\$ 18,033</u>

18. BORROWINGS

a. Short-term borrowings

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

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

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

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

19. TRADE PAYABLES

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

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

20. OTHER PAYABLES

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

21. RETIREMENT BENEFIT PLANS

Defined Contribution Plans

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

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

22. EQUITY

a. Share capital

Ordinary shares

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

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

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

b. Capital surplus

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

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

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

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

c. Retained earnings and dividends policy

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

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

- 1) To make provision for the applicable amount of income tax pursuant to applicable tax laws and regulations;
- 2) To set off cumulative losses of previous years (if any);
- 3) To set aside ten percent (10%) as legal reserve pursuant to the applicable listing rules unless the accumulated amount of such legal reserve equals to the total paid-in capital of the Company;
- 4) To set aside an amount as special reserve pursuant to the applicable listing rules and requirements of the Commission; and
- 5) With respect to the earnings available for distribution (i.e., the net profit after the deduction of the items (a) to (d) above plus any undistributed retained earnings), the board of directors may present a proposal to distribute earnings by way of dividends to the shareholders at the annual general meeting for approval pursuant to the applicable listing rules. Dividends may be distributed in the form of cash and/or shares; shares may be distributed in lieu of the cash amount of any dividend, and the amount of dividends shall be at least twenty percent (20%) of the net profit after the deduction of the items (a) to (d) above. Cash dividends shall comprise a minimum of ten percent (10%) of the total dividends allocated to shareholders.

For the policies on the distribution of employees' compensation and remuneration of directors and supervisors after the amendment, refer to employees' compensation and remuneration of directors and supervisors in Note 23(c).

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

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

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

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

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

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

d. Special reserves

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

e. Other equity items

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

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

2) Unearned employee benefits

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

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

f. Treasury shares

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

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

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

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

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

23. REVENUE

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

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

b. Disaggregation of revenue.

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

24. NET PROFIT

Net profit was derived after the following:

a. Depreciation and amortization

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

b. Employees' benefits expense

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

c. Employees' compensation and remuneration of directors and supervisors

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

Amount

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

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

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

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

25. INCOME TAXES

a. Income tax recognized in profit or loss

Major components of income tax expense are as follows:

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

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

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

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

b. Current tax liabilities

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

c. Deferred tax assets and liabilities

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

For the year ended December 31, 2019

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

For the year ended December 31, 2018

	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>

d. Income tax assessments

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

26. EARNINGS PER SHARE

Unit: NT\$ Per Share

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

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

Unit: NT\$ Per Share

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

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

Net Profit for the Year

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

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

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

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

27. RESTRICTED SHARE PLAN FOR EMPLOYEES

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

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

28. CAPITAL MANAGEMENT

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

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

29. FINANCIAL INSTRUMENTS

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

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

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

1) Fair value hierarchy

December 31, 2019

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

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

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

c. Categories of financial instruments

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

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

d. Financial risk management objectives and policies

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

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

1) Market risk

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

a) Foreign currency risk

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

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

Sensitivity analysis

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

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

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

b) Interest rate risk

Interest rate risk refers to the risk of 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	
	2019	2018
Fair value interest rate risk		
Financial assets	\$ 1,056,950	\$ 3,991,116
Financial liabilities	366,202	1,457,079
Cash flow interest rate risk		
Financial assets	1,515,760	1,312,533

Sensitivity analysis

The sensitivity analysis below was determined based on the Group's exposure to interest rates for non-derivative instruments at the end of the reporting period. For floating rate liabilities, the analysis was prepared assuming the amount of each liability outstanding at the end of the reporting period was outstanding for the whole year.

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

c) Other price risk

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

Sensitivity analysis

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

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

2) Credit risk

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

Business-related credit risk

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

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

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

Financial credit risk

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

3) Liquidity risk

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

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

December 31, 2019

	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	\$ <u>2,616</u>	\$ <u>2,616</u>	\$ <u>315,921</u>	\$ <u>45,049</u>	\$ <u>366,202</u>

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	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,457,079</u>	\$ <u>-</u>	\$ <u>1,457,079</u>

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

30. TRANSACTIONS WITH RELATED PARTIES

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

a. Related party name and category

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

b. Lease arrangements - Group is lessee

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

Future lease payment payables are as follows:

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

c. Lease arrangements - Group is lessor

Rental income was as follows:

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

Future lease payment receivables are as follows:

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

d. Other income - property management income

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

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

e. Other income - others

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

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

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

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

g. Refundable deposits

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

h. Guarantee deposits received

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

i. Loans from related parties

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

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

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

j. Compensation of key management personnel

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

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

31. ASSETS PLEDGED AS COLLATERAL OR FOR SECURITY

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

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

32. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

33. SIGNIFICANT ASSETS AND LIABILITIES DENOMINATED IN FOREIGN CURRENCIES

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

December 31, 2019

	Foreign Currencies	Exchange Rate	Carrying Amount
<u>Financial assets</u>			
Monetary items			
USD	\$ 585	6.9762 (USD:RMB)	\$ 17,555
NTD	815	0.2323 (NTD:RMB)	815

Financial liabilities

Monetary items			
USD	10,708	6.9762 (USD:RMB)	321,603
EUR	1,340	7.8155 (EUR:RMB)	45,100
NTD	897	0.2323 (NTD:RMB)	897

December 31, 2018

	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

Financial liabilities

Monetary items			
USD	47,893	6.6832 (USD:RMB)	1,469,929
NTD	715	0.2236 (NTD:RMB)	715

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

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

34. SEPARATELY DISCLOSED ITEMS

a. Information about significant transactions and investees:

- 1) Financing provided to others: (Table 1)
- 2) Endorsements/guarantees provided: None
- 3) Marketable securities held (excluding investments in subsidiaries, associates and joint ventures): (Table 2)
- 4) Marketable securities acquired and disposed of at costs or prices of at least NT\$300 million or 20% of the paid-in capital: (Table 3)
- 5) Acquisition of individual real estate at costs of at least NT\$300 million or 20% of the paid-in capital: None
- 6) Disposal of individual real estate at prices of at least NT\$300 million or 20% of the paid-in capital: None
- 7) Total purchases from or sales to related parties amounting to at least NT\$100 million or 20% of the paid-in capital: None
- 8) Receivables from related parties amounting to at least NT\$100 million or 20% of the paid-in capital (Table 4)
- 9) Trading in derivative instruments: None
- 10) Intercompany relationships and significant intercompany transactions (Table 5)
- 11) Information on investees (Table 6)

b. Information on investments in mainland China

- 1) Information on any investee company in mainland China, showing the name, principal business activities, paid-in capital, method of investment, inward and outward remittance of funds, ownership percentage, net income of investees, investment income or loss, carrying amount of the investment at the end of the period, repatriations of investment income, and limit on the amount of investment in the mainland China area (Table 7)

- 2) Any of the following significant transactions with investee companies in mainland China, either directly or indirectly through a third party, and their prices, payment terms, and unrealized gains or losses: None
- a) The amount and percentage of purchases and the balance and percentage of the related payables at the end of the period: None
 - b) The amount and percentage of sales and the balance and percentage of the related receivables at the end of the period: None
 - c) The amount of property transactions and the amount of the resultant gains or losses: None
 - d) The balance of negotiable instrument endorsements or guarantees or pledges of collateral at the end of the period and the purposes: None
 - e) The highest balance, the end of period balance, the interest rate range, and total current period interest with respect to financing of funds: (Table 1)
 - f) Other transactions that have a material effect on the profit or loss for the year or on the financial position, such as the rendering or receipt of services: None

35. SEGMENT INFORMATION

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

a. Revenue from major products

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

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

b. Geographical information

The Group operates mainly in China.

c. Information about major customers

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

TABLE 1

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

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

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

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

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

- Business contacts.
- Short-term financing.

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

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

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

TABLE 2

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

TABLE 3

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED OR DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$300 MILLION OR 20% OF THE PAID-IN CAPITAL
FOR THE YEAR ENDED DECEMBER 31, 2019
(In Thousands of New Taiwan Dollars, Unless Stated Otherwise)

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

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

TABLE 4

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

**RECEIVABLES FROM RELATED PARTIES AMOUNTING TO AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
DECEMBER 31, 2019**

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

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

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

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

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

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

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

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

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

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

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

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

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

Investor Company	Investee Company	Location	Main Businesses and Products	Original Investment Amount		As of December 31, 2019			Net Income (Loss) of the Investee	Share of Profit (Loss)	Note
				December 31, 2019	December 31, 2018	Number of Shares	%	Carrying Amount			
The Company	TOPBI Children Apparel Co., Limited (HK)	Hong Kong	Investment	\$ 1,371,784	\$ 1,371,784	174,227,460	100.00	\$ 6,634,857	\$ 1,212,432	\$ 1,212,432	

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

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

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

TABLE 7

TOPBI INTERNATIONAL HOLDINGS LIMITED AND SUBSIDIARIES

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

Investee Company	Main Businesses and Products	Paid-in Capital	Method of Investment	Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Remittance of Funds		Accumulated Outward Remittance for Investment from Taiwan as of December 31, 2019	Net Income (Loss) of the Investee	% Ownership of Direct or Indirect Investment	Investment Gain (Loss)	Carrying Amount as of December 31, 2019	Accumulated Repatriation of Investment Income as of December 31, 2019	Note
					Outward	Inward							
TOPBI (China) Fashion Corp., Ltd.	Sales of branded children's clothing	\$ 774,900	Investment through TOPBI Children Apparel Co., Limited and Fujian SOD Textile & Industry Goods Corp., Ltd.	\$ -	\$ -	\$ -	\$ -	\$ 1,256,553	100.00	\$ 1,256,553	\$ 7,683,150	\$ -	B
Fujian SOD Textile & Industry Goods Corp., Ltd.	Investment	206,554	Investment through Fujian SOD Textile & Industry Goods Corp., Ltd.	-	-	-	-	333,992	100.00	333,992	2,042,181	-	C

Accumulated Outward Remittance for Investment in Mainland China as of December 31, 2018	Investment Amount Authorized by Investment Commission, MOEA	Upper Limit on the Amount of Investment Stipulated by Investment Commission, MOEA
Not applicable	Not applicable	Not applicable

Note A: The amount of information on investments in mainland China is according to financial statements which have been audited by the Company's auditors.

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

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

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

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