

CODE : 1476



**ECLAT TEXTILE CO., LTD.**

**2017 ANNUAL SHAREHOLDERS' MEETING**

MEETING AGENDA

(Translation)

**June 16, 2017**

Place: ECLAT's Hsichou Plant 3F meeting room.

(No.39, Sanhao Rd., Houlong Township, Miaoli County, Taiwan)

**TABLE OF CONTENTS**

**I. MEETING PROCEDURE .....1**

**II. MEETING AGENDA .....2**

**III. MANAGEMENT PRESENTATION .....3**

**IV. PROPOSALS .....4**

**V. DISCUSSION .....5**

**VI. QUESTIONS AND MOTIONS .....5**

**VII. APPENDIX**

    I. Shareholders’ proposals for the 2017 Meeting of the Shareholders .....6

    II. Shareholdings of all Directors .....7

**SUPPLEMENT**

    I. Supplement 1: Business Report .....8

    II. Supplement 2: Audit Committee’s Review Report ..... 11

    III. Supplement 3: Independent Auditors’ Report and the Financial Statements .. 12

    IV. Supplement 4: Profit Distribution Table ..... 25

# Translation

This English version is a translation based on the original Chinese version.

Where any discrepancy arises between the two versions, the Chinese version shall prevail.

**ECLAT TEXTILE CO., LTD.**  
**2017 ANNUAL SHAREHOLDERS' MEETING PROCEDURE**

I. Call the Meeting to Order

II. Chairperson Remarks

III. Management Presentations

IV. Proposals

V. Discussion

VI. Questions and Motions

VII. Adjournment

**ECLAT TEXTILE CO., LTD.**  
**2017 ANNUAL SHAREHOLDERS' MEETING AGENDA**  
(Translation)

Time: 9:00 a.m., June 16,2017

Place: ECLAT's Hsichou Plant 3F meeting room.

(No.39, Sanhao Rd., Houlong Township, Miaoli County , Taiwan)

1. Management Presentations

- (1) 2016 Business Reports.
- (2) Audit Committee's Review Report on the 2016 Financial Statements.
- (3) Appropriation for employees' Profit Sharing bonus.

2. Proposals

- (1) Adoption of the 2016 Business Report and Financial Statements.
- (2) Adoption of the Proposal for Distribution of 2016 Profits

3. Discussion

- (1) Proposal for a new share issue through capitalization of earnings.
- (2) Amendment to the Operational procedures for Acquisition and Disposal of Assets

4. Questions and Motions

5. Adjournment

## **I. Management Presentations**

### **Report No. 1**

2016 Business Report.

#### **Explanation:**

The 2016 Business Report is attached as Supplement 1.

### **Report No. 2**

Audit Committee's Review Report on the 2016 Financial Statements.

#### **Explanation:**

The 2016 Audit Committee's Review Report is attached as Supplement 2.

### **Report No. 3**

Appropriation for Employee' Profit Sharing Bonus.

#### **Explanation:**

- (1) The appropriation of the Employee' bonus for 2016 had been approved by the Board of Directors.
- (2) The net income of the company for 2016 is NT\$3,659,516,915, and the net income before tax of the company is NT\$4,535,222,948. According to the resolution of the Boards of Directors, the appropriated amounts of the Employee' profit sharing bonus for 2016 amounted to NT\$6,000,000, and is in accordance with the Articles of the Company.
- (3) The employee' bonus will all be paid by cash and distributed to the full-time employees (excluding Directors and Management) of the company only, the specific details of the employee' bonus will be authorized to the chairman of the company to handle it.

## II. Proposals

### **Proposal No. 1**

Proposed by the Board

Adoption of the 2016 Business Report and Financial Statements.

#### **Explanation:**

- (1) The Company's Financial Statements, including balance sheet, Statements of Comprehensive Income, Statements of Changes in Equity, and statement of cash flows, were audited by independent auditors, Ko Hui Chih and Kuo Hsin Yi of the KPMG Firm. Also Business Report and Financial Statements had been approved by the Board and examined by the Audit Committee.
- (2) The 2016 Business Report, independent auditors' audit report and the above-mentioned Financial Statements are attached as Supplement 3.

#### **Resolution:**

### **Proposal No. 2**

Proposed by the Board

Adoption of the Proposal for Distribution of 2016 Profits.

#### **Explanation:**

- (1) The Board had adopted a Proposal for Distribution of 2016 Profits which is in accordance with the Company Act and Articles of Incorporation. 2016 PROFIT DISTRIBUTION TABLE is attached as Supplement 4.
- (2) 2016 net profit after tax was NT\$ 3,659,516,915, adding beginning retained earnings of NT\$ 3,190,744,880, deducting the remeasurement of defined benefit plans NT\$ 15,221,000, and then setting aside the legal reserve of NT\$ 365,951,692, and each common share holder will be entitled to receive a cash dividend of NT\$10.5 per share and stock dividend NT\$0.2 per share, which is amounted to NT\$ 2,824,367,322, and NT\$ 53,797,470, respectively.
- (3) Upon the approval of the Annual Meeting of Shareholders, it is proposed that the Board of Directors be authorized to resolve the ex-dividend date, ex-rights date, and other relevant issues.
- (4) In the event that, before the distribution record date, the proposed profit distribution is affected by an amendment to relevant laws or regulations, a request by the competent authorities, or a buyback of shares or issuance of new shares for transferring treasury shares to employees or employee stock options, it is proposed that the Board of Directors be authorized to adjust the cash and stock to be distributed to each share based on the number of actual shares outstanding on the record date for distribution.
- (5) The Profit Distribution Table is attached as Supplement 4.

#### **Resolution:**

### **III. Discussion**

#### **Item 1**

Proposal for a new share issue through capitalization of earnings. Please proceed to discuss.

#### **Explanation:**

- (1) For the further development of company business, the management plans to withdraw NTD\$53,797,470 from distributable earnings to issue dividends stocks of 5,379,747 shares.
- (2) The distributed shares are determined by the shareholding ratio of shareholders in the register of shareholders on the record of the ex-right date. For every 1,000 shares, 20 shares will be paid. Shareholding of less than one share after distribution shall be paid in cash. Fractional shares will be purchased by persons arranged by the Chairman as authorized by the Board.
- (3) The shareholder rights and obligations of the new shares are the same as those of existing shares.
- (4) After the approval of the Annual Meeting of Shareholders and the competent authority, the new shares will be distributed on a record date determined by the Board.

#### **Resolution:**

#### **Item 2**

Amendment to the Operational Procedures for Acquisition and Disposal of Assets. Please proceed to discuss.

#### **Explanation:**

The R.O.C. Financial Supervisory Commission recently amended its “Regulation Governing the Acquisition and Disposal of Assets by Public Companies”. The Company hereby proposes to amend the Operational Procedures for Acquisition and Disposal of Assets.

#### **Resolution:**

### **IV. Special Motion**

### **v. Meeting Adjourned**



## **Appendix I**

### Shareholders' proposals for the 2017 Meeting of the Shareholders

Details of accepting shareholder proposals for the 2017 Annual General Meeting of the Shareholders.

#### Explanation:

1. According to Article 172-1 of the Company Act, a shareholder who holds more than 1% of the total issued and outstanding shares may submit one proposal in writing to the Company to be discussed at the shareholders' meeting; the proposal may only address one matter, and may not contain more than 300 Chinese characters.
2. Shareholder proposals must be submitted during the period from April 9, 2017 to April 19, 2017. As required by law, the Company has posted information regarding shareholder proposals on MOPS.
3. The Company has not received any written submission of shareholder proposals during the period of the submitted Shareholder proposals.

## Appendix II

### ECLAT TEXTILE CO., LTD. Shareholdings of All Directors

Record Date : April 18, 2017

Title	Name	Current Shareholding	
		Shares	%
Chairman	HUNG, CHENG-HAI	8,858,155	3.29%
Director	WANG, LI-CHEN	7,776,898	2.89%
Director	TSAI, HSIEN-CHIN	21,210,778	7.89%
Director	YEH, SOU-TSUN	517,187	0.19%
Director	CHEN, KUN-TANG	473,397	0.18%
Director	LO, JEN-CHIEH	358,553	0.13%
Director	WANG, SHU-WEN	34,459	0.01%
Director	Yih-Yuan Investment Corp. Representative : HSIEH, KUO-SUNG	25,284,643	9.40%
	total	64,514,070	23.98%
Independent Director	WANG, YEA-KANG	0	0.00%
Independent Director	YU, CHENG-PING	0	0.00%
Independent Director	LIU, NAI-MING	0	0.00%
	total	0	0.00%
<p>Note 1: Total outstanding shares as of April 18, 2017: 268,987,364 Shares.            Note 2: Minimum share ownership by all directors of the Company: 12,000,000 shares.            The share ownership by all directors of April 18, 2017: 64,514,070 shares.</p>			

### 2016 Business Report

#### I. Introduction

In 2016 the global economy still struggled to recover from the new normal with low interest rate, low growth rate, and low inflation rate. Monetary policies reached the limit and intensified the wealth inequality. The anti-globalization wave grew in many countries and was proven by the surprising election result of the US and the UK. Under this circumstance, Taiwan, with export as the main contributor of GDP, had GDP growth rate as low as 1.5%. Worldwide clothing brands and retailers were continuing the process of inventory clearance and product adjustment because of the lukewarm demand. Therefore, the total textile production in Taiwan reduced to NT 3,985 billion in 2016, a 6.9% decrease from 2015. Facing all those challenges, Eclat will continue devoting to the development and manufacture of functional fiber and performance apparel, improving the management and talent development, cooperating with proper clients, and providing the vertical integration of one stop shopping services.

#### II. Summary of 2016 Operation

- (i) Summary of implementation of 2015 operation plan
  - (i) Improvement of Production Efficiency  
With performance analysis on different factories, we stop the China Wuxi and Taiwan Tucheng factories operation while expand the Colltex Vietnam and E-Top Vietnam plants.
  - (ii) Exploration of New Market  
To avoid operational risks resulting from concentration on certain markets or clients and to reduce the seasonal fluctuation, Eclat keeps exploring new markets, new customers, and keeps providing new series of products. Exploration of new markets can also strengthen our operation structure and balance the manufacturing planning.
  - (iii) Stabilization of purchasing raw materials  
In 2016, Eclat applied a dedicated purchasing strategy that was based on orders. The purchase was depended on the necessity of the materials according to the orders so as to reduce the risks caused by the unstable price of raw materials.
- (ii) Report of achievement of 2016 operation plan and budget implementation  
In accordance with the 2016 financial report, our consolidated revenue had totaled to NT\$24.51 billion, with a decrease of NT\$1 billion and 3.93% compared with 2015. Precisely, total consolidated revenue can be divided in two main divisions. On the one hand, the fabrics division occupied 33.80% roughly over NT\$8.28 billion. On the other hand, the garment division occupied 66.20% approximately over NT\$16.23 billion. Moreover, operating profit was NT\$4.63 billion and net income was NT\$3.66 billion. Both of operating profit and net income had respectively decrease of 3.64% and 12.31% from the 2014 level of NT\$0.18 billion and NT\$0.51 billion. The diluted earnings per share in 2016 were NT\$13.67.

(iii) Financial revenue and expenditure and profitability analysis

Unit: NT\$ thousands dollars

ITEMS		YEAR	
		2016	2015
Financial results	Operating revenues	24,506,137	25,508,528
	Operating profit	6,548,812	6,679,228
	Operating income	4,630,026	4,804,733
	Net income	3,659,517	4,173,780
Profitability analysis	Return on assets (%)	22.02	30.39
	Return on shareholders' equity (%)	27.24	39.28
	Operating income to common stock ratio (%)	172.13	184.10
	Net income before Tax to common stock ratio (%)	168.60	195.65
	Net income to Operating revenues ratio (%)	14.93	16.36
	Basic Earnings per share(in dollars)	13.67	15.99

III. Outlook and Strategy of 2017

i. Strategy of 2016 operation

(i) Optimizing Production

The expansion plan of Colltex Vietnam 3<sup>rd</sup> and E-Top Vietnam 2<sup>nd</sup> will be implemented as scheduled and target to officially operate by the end of 2017. We will utilize the new capacity to create economic of scale. At the same time, we keep improving the quality and yield of production. With proper cost control and process reengineering, we aim to further perfect our production efficiency. Furthermore, Eclat will maintain as a sustainable enterprise by promoting and applying green energy and circular economy.

(ii) Exploring new market actively

We will keep diversifying and expanding our customer portfolio to reduce the risk of high concentration on specific region or market. Also, as consumers prefer customized design and market becomes demassified, we will cultivate start-ups and new brands, and work closely with selective clients.

(iii) Investing in Innovation

To cater the variety needs of clients, we will apply new technologies and introduce modern facilities. Meanwhile, we will differentiate our products by leveraging our talent designers and foster our digital & automation capacity.

(iv) Global Strategy

The unstable global political environment poses threat on the international trade. The coming elections in Europe during 2017 and the newly elected US president impose uncertainties to the world economy and hike the volatility of foreign exchange market. We will synergize our global footprint to fulfill our client needs, to utilize the best solutions, and to response actively to the fast-changing world.

ii. R&D Plan of 2017

(i) Continuing the Research and Development of Functional Fabric

Functional fabric is our core product. We will apply new materials and modern facilities, renovate our process, and develop our products to improve production quality and yield. We will further

devote our resources, both in talents and equipment, to premium products. At the meantime, many new manufacturing procedures will be incorporated in our knitting and dyeing processes, which seek to explore new technology in order to lead textile industry into next era and amplify the application of functional fabric.

(ii) Collaboration with Clients to Create Additional Values

We employ the vertical integration model and join together with suppliers and clients for product development. In addition, we establish the one stop shop service to build up our niche market. In order to increase product margins and reduce price competition, our in-house designers join forces with clients to develop products and hence we could migrate to higher percentage of ODM production. By aligning the resources of academy and industry, we seek opportunities for strategic alliance and interdisciplinary applications. All in all, we will focus on sharpening our competitive advantages and creating win-win game with clients.

At the start of 2017, the global economy recovers gradually from the stagnation. However, the optimistic outlook of 2017 is still under pressure of political, policy, and economic uncertainties. Eclat will continue to deepen our R&D capacity, advance product quality, and strengthen our management. We are ready to deliver our best to our clients, employees, and shareholders.

Finally, wish all the shareholders great success and a prosperous year!

ECLAT TEXTILE CO., LTD

Chairman :

General Managers:

Head of Accounting:

**Audit Committee's Review Report**

The Board of Directors has prepared the Company's 2016 Business Report, Financial Statements, and proposal for distribution of profits. The 2016 Financial Statements (including Consolidated Financial Statements) of the Company have been audited and certified by independent auditors, Kuo Hui Chih and Kuo Hsin Yi, of the KPMG firm. The Business Report, Financial Statements, and profit distribution proposal have been reviewed and determined to be correct and accurate by the Audit Committee members of ECLAT TEXTILE CO., LTD. According to Article 219 of the Company Law, we hereby submit this report.

**ECLAT TEXTILE CO., LTD.**

Chairman of the Audit Committee:

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Sir WANG, YEA-KANG

March 16, 2017

**Independent Auditors' Report  
(Parent Company Only Financial Statements)**

To the Board of Directors of ECLAT TEXTILE CO., LTD.:

**Opinion**

We have audited the financial statements of ECLAT TEXTILE CO., LTD. (“the Company”), which comprise the balance sheets as of December 31, 2016 and 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and its financial performance and its cash flows for the year ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

**Basis for Opinion**

We conducted our audit in accordance with the “Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants” and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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 financial statements for the year ended December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company are stated as follows:

1. Revenue recognition

Please refer to Note 4(m) for details of the accounting policies of the recognition of revenue and Note 6(m) revenues.

How the matter was addressed in our audit

The shareholders and investors of the Company are the main concern in furnishing this financial report. Therefore, the assessment of revenue recognition is one of the key matters in our audit.

Our principal audit procedures included:

Understanding and testing the design and implementation of internal control over revenue recognition, inspecting the accuracy of revenue recognition, and reconciling between sales systems and general ledger to evaluate the rationality of the accounting policies implied; analyzing the Company's main sources of revenues to evaluate the adequacy of revenue recognition; analyzing the trend of revenue from different products to compare the variations between actual and budget figures; analyzing the agreements of selected customers to understand the sales terms and conditions for revenue recognition and to further inspect related transaction documents to ensure that the revenue is recorded in the appropriate period.

## 2. Assessment of Receivables

Please refer to Note 4(g) for details of the accounting policies of accounts receivable and Note 6(b) for relevant disclosures of accounts receivable of the independent auditors' report.

How the matter was addressed in our audit

The economy boom of the Company is subject to seasonal effects. The average period of collection of accounts receivable is 30~60 days. The impairment loss of accounts receivable is estimated based on the historical trends of sales return and discounts, wherein the management subjectively modifies the estimated amount by considering the collection records of each customer. Therefore, the accounts receivable are the key matters in our audit.

Our principal audit procedures included:

Analyzing the aging schedule of accounts receivable, past collection records, industry boom and concentration of customers' credit risk to evaluate the rationality of the impairment loss estimated.

## 3. Assessment of inventories

Please refer to Note 4(h) for details of the accounting policies of inventories and Note 6(c) for relevant disclosures of inventories of the independent auditors' report.

How the matter was addressed in our audit

The inventories of the Group are measured at the lower of cost and net realizable value. The industry is subject to seasonal effects resulting in a risk wherein the carrying value of inventories may exceed its net realizable value. Therefore we determined the valuation of inventories was a key audit matter.

Our principal audit procedures included:

Evaluating the rationality of the inventory policies such as the policy of provision for inventory valuation and obsolescence and understanding whether the valuation of inventory was performed in accordance with the Company's policy; inspecting the inventory aging report and analyzing the trends of inventory aging; assessing the provision for inventory valuation and obsolescence including sampling and inspecting the accuracy of the inventory aging report and net realizable value of inventories; inspecting the post period sales situation and evaluating the net realizable value of measurement applied on aging inventory in order to verify the evaluation accuracy of the estimated inventory allowance by the Group; and assessing whether the disclosures of provision for inventory valuation and obsolescence were appropriate.



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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance (including members of the Audit Committee) are responsible for overseeing the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's 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 financial statements.

As part of an audit in accordance with 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 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit.

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 financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's 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 Ko Hui Chih and Kuo Hsin Yi.

KPMG

Taipei, Taiwan (Republic of China)  
March 16, 2017

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**ECLAT TEXTILE CO., LTD.**  
**Balance Sheets**  
**December 31, 2016 and 2015**  
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2016		December 31, 2015		Liabilities and Equity		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents(notes 6(a)(o))	\$ 5,199,693	29	3,324,646	22	2150	Notes payable(note 6(o))	343,295	2	324,391	2
1150	Notes receivable, net(notes 6(b)(o))	4,077	-	2,023	-	2170	Accounts payable(note 6(o))	1,024,483	6	1,015,374	7
1170	Accounts receivable, net(notes 6(b)(o))	3,090,786	17	3,056,031	20	2180	Accounts payable to related parties(notes 6(o) and 7)	268,711	1	320,274	2
1180	Accounts receivable due from related parties, net(notes 6(b)(o) and 7)	-	-	53	-	2200	Other payables(notes 6(g)(o))	694,395	4	768,239	5
1200	Other receivables, net(notes 6(b)(o))	84,254	-	88,806	1	2230	Current tax liabilities	436,027	2	602,447	4
1310	Inventories, manufacturing business, net(note 6(c))	2,847,075	16	3,043,975	20	2399	Other current liabilities, others	41,949	-	37,485	-
1470	Other current assets(notes 6(f) and 8)	157,266	1	149,214	1		<b>Total current liabilities</b>	2,808,860	15	3,068,210	20
	<b>Total current assets</b>	11,383,151	63	9,664,748	64		<b>Non-Current liabilities:</b>				
<b>Non-current assets:</b>						2570	Deferred tax liabilities(note 6(h))	40,297	-	50,499	-
1550	Investments accounted for using equity method, net(note 6(d))	3,967,051	22	2,790,302	18	2640	Net defined benefit liability, non-current(note 6(g))	131,699	1	189,026	1
1600	Property, plant and equipment(notes 6(e) and 7)	2,627,834	15	2,546,506	17	2645	Guarantee deposits received	2,702	-	84,101	1
1780	Intangible assets	27,339	-	9,081	-		<b>Total non-current liabilities</b>	174,698	1	323,626	2
1840	Deferred tax assets(note 6(h))	31,537	-	35,851	-		<b>Total liabilities</b>	2,983,558	16	3,391,836	22
1900	Other non-current assets(note 6(f))	42,846	-	119,677	1		<b>Equity(Note 6(i)):</b>				
	<b>Total non-current assets</b>	6,696,607	37	5,501,417	36	3110	Common stock	2,689,874	15	2,609,874	17
						3200	Capital surplus(note 6(j))	3,769,437	21	1,289,437	9
							<b>Retained earnings:</b>				
						3310	Legal reserve	1,647,456	9	1,230,078	8
						3350	Unappropriated retained earnings (note 6(h))	6,835,041	38	6,432,490	43
							<b>Total retained earnings</b>	8,482,497	47	7,662,568	51
						3490	Other equity, others	154,392	1	212,450	1
							<b>Total equity</b>	15,096,200	84	11,774,329	78
<b>Total assets</b>		<b>\$ 18,079,758</b>	<b>100</b>	<b>15,166,165</b>	<b>100</b>	<b>Total liabilities and equity</b>	<b>\$ 18,079,758</b>	<b>100</b>	<b>15,166,165</b>	<b>100</b>	

(English Translation of Financial Statements and Report Originally Issued in Chinese)  
**ECLAT TEXTILE CO., LTD.**  
**Statements of Comprehensive Income**  
**For the years ended December 31, 2016 and 2015**  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2016		2015	
		Amount	%	Amount	%
4000	Operating revenue(notes 6(l) and 7)	\$ 24,506,137	100	25,508,528	100
5000	Operating costs(notes 6(e)(g)(j)(m) and 7):	<u>17,957,325</u>	<u>73</u>	<u>18,829,300</u>	<u>74</u>
	<b>Gross profit from operations</b>	<u>6,548,812</u>	<u>27</u>	<u>6,679,228</u>	<u>26</u>
	<b>Operating expenses(notes 6(b)(e)(g)(j)(m) and 7):</b>				
6100	Selling expenses	1,198,681	5	1,189,951	5
6200	Administrative expenses	568,203	2	556,151	2
6300	Research and development expenses	<u>151,902</u>	<u>1</u>	<u>128,393</u>	<u>-</u>
	<b>Total operating expenses</b>	<u>1,918,786</u>	<u>8</u>	<u>1,874,495</u>	<u>7</u>
	<b>Net operating income</b>	<u>4,630,026</u>	<u>19</u>	<u>4,804,733</u>	<u>19</u>
	<b>Non-operating income and expenses(notes 6(b)(n)):</b>				
7010	Other income	29,489	-	9,399	-
7020	Other gains and losses, net	(43,006)	-	308,490	1
7050	Finance costs	(421)	-	(602)	-
7070	Share of loss of associates and joint ventures accounted for using equity method, net	<u>(80,865)</u>	<u>-</u>	<u>(15,852)</u>	<u>-</u>
	<b>Total non-operating income and expenses</b>	<u>(94,803)</u>	<u>-</u>	<u>301,435</u>	<u>1</u>
7900	<b>Income before income tax</b>	4,535,223	19	5,106,168	20
7950	Less: Income tax(note 6(h))	<u>875,706</u>	<u>4</u>	<u>932,388</u>	<u>4</u>
8200	<b>Net Income</b>	<u>3,659,517</u>	<u>15</u>	<u>4,173,780</u>	<u>16</u>
	<b>Other comprehensive income:</b>				
	<b>Items that will not be reclassified subsequently to profit or loss</b>				
8310	Remeasurements of defined benefit plans(note 6(g))	<u>(15,221)</u>	<u>-</u>	<u>(6,731)</u>	<u>-</u>
	<b>Items that may be reclassified subsequently to profit or loss (note 6(i))</b>				
8361	Exchange differences on translation of foreign financial statements	(69,949)	-	96,734	1
8399	Income tax expense related to items that may be reclassified subsequently(note 6(h))	<u>11,891</u>	<u>-</u>	<u>(16,445)</u>	<u>-</u>
		<u>(58,058)</u>	<u>-</u>	<u>80,289</u>	<u>1</u>
	<b>Other comprehensive income, net of income tax</b>	<u>(73,279)</u>	<u>-</u>	<u>73,558</u>	<u>1</u>
8500	<b>Total comprehensive income</b>	<u>\$ 3,586,238</u>	<u>15</u>	<u>4,247,338</u>	<u>17</u>
9750	<b>Basic earnings per share(in dollars)(note 6(k))</b>	<u>\$ 13.67</u>		<u>15.99</u>	
9850	<b>Diluted earnings per share(in dollars)(note 6(k))</b>	<u>\$ 13.67</u>		<u>15.99</u>	

(English Translation of Financial Statements and Report Originally Issued in Chinese)

**ECLAT TEXTILE CO., LTD.**

**Statements of Changes in Equity**

**For the years ended December 31, 2016 and 2015**

**(Expressed in Thousands of New Taiwan Dollars)**

	Common stock	Capital surplus	Legal reserve	Retained earnings		Other equity	Total equity
				Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	
<b>Balance at January 1, 2015</b>	\$ 2,609,874	1,152,238	929,726	4,653,692	5,583,418	132,161	9,477,691
Net Income	-	-	-	4,173,780	4,173,780	-	4,173,780
Other comprehensive income	-	-	-	(6,731)	(6,731)	80,289	73,558
Total comprehensive income	-	-	-	4,167,049	4,167,049	80,289	4,247,338
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	300,352	(300,352)	-	-	-
Cash dividends to shareholders	-	-	-	(2,087,899)	(2,087,899)	-	(2,087,899)
Other changes in capital surplus:							
Issuance of shares from exercise of employee stock options	-	137,199	-	-	-	-	137,199
<b>Balance at December 31, 2015</b>	2,609,874	1,289,437	1,230,078	6,432,490	7,662,568	212,450	11,774,329
Net Income	-	-	-	3,659,517	3,659,517	-	3,659,517
Other comprehensive income	-	-	-	(15,221)	(15,221)	(58,058)	(73,279)
Total comprehensive income	-	-	-	3,644,296	3,644,296	(58,058)	3,586,238
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	417,378	(417,378)	-	-	-
Cash dividends to shareholders	-	-	-	(2,824,367)	(2,824,367)	-	(2,824,367)
Issuance of shares	80,000	2,480,000	-	-	-	-	2,560,000
<b>Balance at December 31, 2016</b>	<b>\$ 2,689,874</b>	<b>3,769,437</b>	<b>1,647,456</b>	<b>6,835,041</b>	<b>8,482,497</b>	<b>154,392</b>	<b>15,096,200</b>

## ECLAT TEXTILE CO., LTD.

## Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
<b>Cash flows from (used in) operating activities:</b>		
Income before income tax	\$ 4,535,223	5,106,168
<b>Adjustments:</b>		
<b>Adjustments to reconcile income before income tax:</b>		
Depreciation and amortization	244,818	218,021
Provision (reversal of provision) for bad debt expense	32,331	(23,250)
Gain on financial assets or liabilities at fair value through profit or loss	-	(3,023)
Interest expense	421	602
Interest income	(26,815)	(6,759)
Share-based payment	-	137,199
Share of loss of associates and joint ventures accounted for using equity method	80,865	15,852
Gain on disposal of property, plant and equipment	(1,077)	(374)
<b>Total adjustments to reconcile income before income tax</b>	<u>330,543</u>	<u>338,268</u>
<b>Net changes in operating assets:</b>		
Increase in notes and accounts receivable	(36,756)	(268,090)
Decrease (increase) in inventories	196,900	(595,133)
Increase in other current assets	(35,832)	(69,205)
<b>Total changes in operating assets</b>	<u>124,312</u>	<u>(932,428)</u>
<b>Net changes in operating liabilities:</b>		
(Decrease) increase in notes and accounts payable	(23,550)	254,362
(Decrease) increase in other payable	(56,213)	144,524
Increase (decrease) in other current liabilities	4,464	(22,544)
Decrease in net defined benefit liability	(72,548)	(29,016)
<b>Total changes in operating liabilities</b>	<u>(147,847)</u>	<u>347,326</u>
<b>Total changes in operating assets and liabilities</b>	<u>(23,535)</u>	<u>(585,102)</u>
<b>Total adjustments</b>	<u>307,008</u>	<u>(246,834)</u>
Cash generated from operations	4,842,231	4,859,334
Interest received	26,815	6,759
Interest paid	(421)	(602)
Income tax paid	(1,053,753)	(757,721)
<b>Net cash flows from operating activities</b>	<u>3,814,872</u>	<u>4,107,770</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	(1,329,742)	(7,098)
Acquisition of property, plant and equipment	(48,883)	(60,276)
Proceeds from disposal of property, plant and equipment	7,385	4,326
Increase in refundable deposits	(643)	(3,430)
Acquisition of intangible assets	(27,439)	(5,667)
Increase in prepayments for equipment	(196,916)	(165,239)
Dividends received	2,179	1,889
<b>Net cash flows used in investing activities</b>	<u>(1,594,059)</u>	<u>(235,495)</u>
<b>Cash flows from (used in) financing activities:</b>		
Decrease in financial liabilities at fair value through profit or loss, designated as upon initial recognition	-	(11,627)
(Decrease) increase in guarantee deposits received	(81,399)	41,683
Cash dividends paid	(2,824,367)	(2,087,899)
Proceeds from issuing shares	2,560,000	-
<b>Net cash flows used in financing activities</b>	<u>(345,766)</u>	<u>(2,057,843)</u>
<b>Net increase in cash and cash equivalents</b>	1,875,047	1,814,432
<b>Cash and cash equivalents at beginning of period</b>	3,324,646	1,510,214
<b>Cash and cash equivalents at end of period</b>	<u>\$ 5,199,693</u>	<u>3,324,646</u>

## **Independent Auditors' Report (Consolidated Financial Statements)**

To the Board of Directors of ECLAT TEXTILE CO., LTD.:

### **Opinion**

We have audited the accompanying consolidated financial statements of ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES (the "Group"), which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

### **Basis for Opinion**

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of 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, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group are stated as follows:

1. Revenue recognition

Please refer to note 4(m) for details of the accounting policies of the recognition of revenue and note 6(m) operating revenues.

How the matter was addressed in our audit

The shareholders and investors of the Group are the main concern in furnishing this consolidated financial report. Therefore, the assessment of revenue recognition is one of the key matters in our audit.

Our principal audit procedures included:

Understanding and testing the design and implementation of internal control over revenue recognition, inspecting the accuracy of revenue recognition, and reconciling between sales systems and general ledger to evaluate the rationality of the accounting policies implied; analyzing the Group's main sources of revenues to evaluate the adequacy of revenue recognition; analyzing the trend of revenue from different products to compare the variations between actual and budget figures; analyzing the agreements of selected customers to understand the sales terms and conditions for revenue recognition and to further inspect related transaction documents to ensure that the revenue is recorded in the appropriate period.

## 2. Assessment of receivables

Please refer to note 4(g) for details of the accounting policies of accounts receivable and note 6(b) for relevant disclosures of accounts receivable of the independent auditors' report.

How the matter was addressed in our audit

The economy boom of the Group is subject to seasonal effects. The average days of collection of accounts receivable is 30~60 days. The impairment loss of accounts receivable is estimated based on the historical trends of sales return and discounts, wherein the management subjectively modifies the estimated amount by considering the collection records of each customer. Therefore, the accounts receivable are the key matters in our audit.

Our principal audit procedures included:

Analyzing the aging schedule of accounts receivable, past collection records, industry boom and concentration of customers' credit risk to evaluate the rationality of the impairment loss estimated.

## 3. Assessment of inventories

Please refer to note 4(h) for details of the accounting policies of inventories and note 6(c) for relevant disclosures of inventories of the independent auditors' report.

How the matter was addressed in our audit

The inventories of the Group are measured at the lower of cost and net realizable value. The industry is subject to seasonal effects resulting in a risk wherein the carrying value of inventories may exceed its net realizable value. Therefore we determined the valuation of inventories was a key audit matter.

Our principal audit procedures included:

Evaluating the rationality of the inventory policies such as the policy of provision for inventory valuation and obsolescence and understanding whether the valuation of inventory was performed in accordance with the Group's policy; inspecting the inventory aging report and analyzing the trends of inventory aging; assessing the provision for inventory valuation and obsolescence including sampling and inspecting the accuracy of the inventory aging report and net realizable value of inventories; inspecting the post period sales situation and evaluating the net realizable value of measurement applied on aging inventory in order to verify the evaluation accuracy of the estimated inventory allowance by the Group; and assessing whether the disclosures of provision for inventory valuation and obsolescence were appropriate.

## Other Matter

The Group has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified opinion.



## **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 Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed 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 members of the Audit Committee) are responsible for overseeing the Group's financial reporting process.

## **Auditor's 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 auditor's 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 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 auditor's 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 auditor's 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 appropriate audit evidence regarding the financial information of the 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 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, 2016 and are therefore the key audit matters. We describe these matters in our auditor's 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 Ko Hui Chih and Kuo Hsin Yi.

KPMG

Taipei, Taiwan (Republic of China)  
March 16, 2017

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES**  
**Consolidated Balance Sheets**  
**December 31, 2016 and 2015**  
(Expressed in Thousands of New Taiwan Dollars)

Assets		December 31, 2016		December 31, 2015		Liabilities and Equity		December 31, 2016		December 31, 2015	
		Amount	%	Amount	%			Amount	%	Amount	%
<b>Current assets:</b>						<b>Current liabilities:</b>					
1100	Cash and cash equivalents(notes 6 (a)(p))	\$ 6,189,487	31	3,661,074	21	2100	Short-term borrowings(notes 6 (f)(p))	\$ 1,509,622	8	2,227,209	13
1150	Notes receivable, net(notes 6 (b)(p))	4,077	-	2,023	-	2150	Notes payable(note 6 (p))	343,295	2	324,391	2
1170	Accounts receivable, net(notes 6 (b)(p))	3,093,252	16	3,056,073	17	2170	Accounts payable(note 6 (p))	1,226,207	6	1,213,573	7
1200	Other receivables, net(notes 6 (b)(p))	15,642	-	50,672	-	2200	Other payables(notes 6 (h)(p))	934,821	5	994,641	6
1310	Inventories, net(note 6 (c))	3,340,601	17	3,563,259	20	2230	Current tax liabilities	437,898	2	604,167	3
1470	Other current assets(notes 6(e) and 8)	309,988	1	338,593	2	2320	Long-term liabilities, current portion(notes 6 (g)(p))	66,693	-	46,940	-
	<b>Total current assets</b>	<u>12,953,047</u>	<u>65</u>	<u>10,671,694</u>	<u>60</u>	2399	Other current liabilities, others	86,480	-	83,276	-
							<b>Total current liabilities</b>	<u>4,605,016</u>	<u>23</u>	<u>5,494,197</u>	<u>31</u>
<b>Non-current assets:</b>						<b>Non-current liabilities:</b>					
1550	Investments accounted for using equity method, net	31,454	-	13,861	-	2540	Long-term borrowings(notes 6 (g)(p))	30,980	-	88,824	1
1600	Property, plant and equipment(notes 6 (d) and 7)	6,416,816	33	6,591,047	38	2570	Deferred tax liabilities(note 6 (i))	40,297	-	50,499	-
1780	Intangible assets	37,889	-	22,084	-	2640	Net defined benefit liability, non-current(note 6 (h))	131,699	1	189,026	1
1840	Deferred tax assets(note 6 (i))	31,537	-	35,851	-	2645	Guarantee deposits received	3,874	-	85,293	-
1900	Other non-current assets(note 6 (e))	437,323	2	347,631	2		<b>Total non-current liabilities</b>	<u>206,850</u>	<u>1</u>	<u>413,642</u>	<u>2</u>
	<b>Total non-current assets</b>	<u>6,955,019</u>	<u>35</u>	<u>7,010,474</u>	<u>40</u>		<b>Total liabilities</b>	<u>4,811,866</u>	<u>24</u>	<u>5,907,839</u>	<u>33</u>
						<b>Equity(Note 6 (j)):</b>					
						3110	Common stock	2,689,874	13	2,609,874	15
						3200	Capital surplus(note 6 (k))	3,769,437	19	1,289,437	7
						<b>Retained earnings:</b>					
						3310	Legal reserve	1,647,456	8	1,230,078	7
						3350	Unappropriated retained earnings (note 6 (i))	6,835,041	35	6,432,490	37
							<b>Total retained earnings</b>	<u>8,482,497</u>	<u>43</u>	<u>7,662,568</u>	<u>44</u>
						3490	Other equity, others(note 6 (j))	154,392	1	212,450	1
							<b>Total equity</b>	<u>15,096,200</u>	<u>76</u>	<u>11,774,329</u>	<u>67</u>
							<b>Total liabilities and equity</b>	<u>\$ 19,908,066</u>	<u>100</u>	<u>\$ 17,682,168</u>	<u>100</u>
	<b>Total assets</b>	<u>\$ 19,908,066</u>	<u>100</u>	<u>17,682,168</u>	<u>100</u>						

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES**  
**Consolidated Statements of Comprehensive Income**  
**For the years ended December 31, 2016 and 2015**  
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

	2016		2015	
	Amount	%	Amount	%
4000 Operating revenue(notes 6 (m) and 14)	\$ 24,525,694	100	25,520,749	100
5000 Operating costs(notes 6 (c)(d)(h)(k)(n)and 12)	<u>17,572,504</u>	<u>72</u>	<u>18,367,196</u>	<u>72</u>
<b>Gross profit from operations</b>	<u>6,953,190</u>	<u>28</u>	<u>7,153,553</u>	<u>28</u>
<b>Operating expenses(notes 6(b)(d)(h)(k)(n) and 12):</b>				
6100 Selling expenses	1,301,264	5	1,298,361	5
6200 Administrative expenses	899,157	4	888,328	3
6300 Research and development expenses	<u>151,902</u>	<u>-</u>	<u>128,393</u>	<u>1</u>
<b>Total operating expenses</b>	<u>2,352,323</u>	<u>9</u>	<u>2,315,082</u>	<u>9</u>
<b>Net operating income</b>	<u>4,600,867</u>	<u>19</u>	<u>4,838,471</u>	<u>19</u>
<b>Non-operating income and expenses(notes 6 (b)(o)):</b>				
7010 Other income	43,581	-	10,133	-
7020 Other gains and losses, net	(69,426)	-	306,005	1
7050 Finance costs	(32,063)	-	(36,268)	-
7060 Share of profit of associates and joint ventures accounted for using equity method, net	<u>2,521</u>	<u>-</u>	<u>2,694</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>(55,387)</u>	<u>-</u>	<u>282,564</u>	<u>1</u>
7900 <b>Income before income tax</b>	4,545,480	19	5,121,035	20
7950 Less: Income tax(note 6 (i))	<u>885,963</u>	<u>4</u>	<u>947,255</u>	<u>4</u>
8200 <b>Net income</b>	<u>3,659,517</u>	<u>15</u>	<u>4,173,780</u>	<u>16</u>
<b>Other comprehensive income:</b>				
8310 <b>Items that will not be reclassified subsequently to profit or loss</b>				
8311 Remeasurements of defined benefit plans(note 6 (h))	<u>(15,221)</u>	<u>-</u>	<u>(6,731)</u>	<u>-</u>
8360 <b>Items that may not be reclassified subsequently to profit or loss(note 6(j))</b>				
8361 Exchange differences on translation of foreign financial statements	(69,949)	-	96,734	1
8399 Income tax expense related to items that may be reclassified subsequently (note 6(i))	<u>11,891</u>	<u>-</u>	<u>(16,445)</u>	<u>-</u>
<b>Other comprehensive income, net of income tax</b>	<u>(58,058)</u>	<u>-</u>	<u>80,289</u>	<u>1</u>
	<u>(73,279)</u>	<u>-</u>	<u>73,558</u>	<u>1</u>
8500 <b>Total comprehensive income</b>	<u>\$ 3,586,238</u>	<u>15</u>	<u>4,247,338</u>	<u>17</u>
9750 <b>Basic earnings per share (in dollars) (note 6(l))</b>	<u>\$ 13.67</u>		<u>15.99</u>	
9850 <b>Diluted earnings per share (in dollars)(note 6(l))</b>	<u>\$ 13.67</u>		<u>15.99</u>	

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
**ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES**  
**Consolidated Statements of Changes in Equity**  
**For the years ended December 31, 2016 and 2015**  
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to shareholders of parent					Other equity Exchange differences on translation of foreign financial statements	Total equity
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total retained earnings		
<b>Balance at January 1, 2015</b>	\$ 2,609,874	1,152,238	929,726	4,653,692	5,583,418	132,161	9,477,691
Net income	-	-	-	4,173,780	4,173,780	-	4,173,780
Other comprehensive income	-	-	-	(6,731)	(6,731)	80,289	73,558
Total comprehensive income	-	-	-	4,167,049	4,167,049	80,289	4,247,338
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	300,352	(300,352)	-	-	-
Cash dividends to shareholders	-	-	-	(2,087,899)	(2,087,899)	-	(2,087,899)
Other changes in capital surplus:							
Issuance of shares from exercise of employee stock options	-	137,199	-	-	-	-	137,199
<b>Balance at December 31, 2015</b>	2,609,874	1,289,437	1,230,078	6,432,490	7,662,568	212,450	11,774,329
Net income	-	-	-	3,659,517	3,659,517	-	3,659,517
Other comprehensive income	-	-	-	(15,221)	(15,221)	(58,058)	(73,279)
Total comprehensive income	-	-	-	3,644,296	3,644,296	(58,058)	3,586,238
Appropriation and distribution of retained earnings:							
Legal reserve appropriated	-	-	417,378	(417,378)	-	-	-
Cash dividends to stockholders	-	-	-	(2,824,367)	(2,824,367)	-	(2,824,367)
Issuance of shares	80,000	2,480,000	-	-	-	-	2,560,000
<b>Balance at December 31, 2016</b>	<b>\$ 2,689,874</b>	<b>3,769,437</b>	<b>1,647,456</b>	<b>6,835,041</b>	<b>8,482,497</b>	<b>154,392</b>	<b>15,096,200</b>

## ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES

## Consolidated Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(Expressed in Thousands of New Taiwan Dollars)

	2016	2015
<b>Cash flows from (used in) operating activities:</b>		
Income before income tax	\$ 4,545,480	5,121,035
<b>Adjustments:</b>		
<b>Adjustments to reconcile income before income tax:</b>		
Depreciation and amortization	810,078	755,908
Provision (reversal of provision) for bad debt expense	31	(23,250)
Gain on financial assets or liabilities at fair value through profit or loss	-	(3,023)
Interest expense	32,063	36,268
Interest income	(40,907)	(7,493)
Share-based payment	-	137,199
Share of profit of associates and joint ventures accounted for using equity method	(2,521)	(2,694)
Loss on disposal of property, plant and equipment	16,722	9,052
<b>Total adjustments to reconcile income before income tax</b>	<u>815,466</u>	<u>901,967</u>
<b>Changes in operating assets and liabilities:</b>		
<b>Net changes in operating assets:</b>		
Increase in notes and accounts receivable	(39,264)	(259,746)
Decrease (increase) in inventories	222,833	(464,284)
Decrease (increase) in other current assets	28,605	(10,991)
Decrease (increase) in other financial assets	35,030	(37,537)
Increase in other operating assets	(166,863)	(12,869)
<b>Total changes in operating assets</b>	<u>80,341</u>	<u>(785,427)</u>
<b>Net changes in operating liabilities:</b>		
Increase in notes and accounts payable	31,538	69,508
(Decrease) increase in other payable	(59,820)	202,875
Increase (decrease) in other current liabilities	3,204	(21,453)
Decrease in net defined benefit liability	(72,548)	(29,016)
<b>Total changes in operating liabilities</b>	<u>(97,626)</u>	<u>221,914</u>
<b>Total changes in operating assets and liabilities</b>	<u>(17,285)</u>	<u>(563,513)</u>
<b>Total adjustments</b>	<u>798,181</u>	<u>338,454</u>
Cash generated from operations	5,343,661	5,459,489
Interest received	40,907	7,493
Interest paid	(32,063)	(36,268)
Income tax paid	(1,058,120)	(767,397)
<b>Net cash flows from operating activities</b>	<u>4,294,385</u>	<u>4,663,317</u>
<b>Cash flows from (used in) investing activities:</b>		
Acquisition of investments accounted for using equity method	(19,350)	-
Acquisition of property, plant and equipment	(449,366)	(611,435)
Proceeds from disposal of property, plant and equipment	10,252	21,448
Increase in refundable deposits	(303)	(3,791)
Acquisition of intangible assets	(31,953)	(10,202)
Increase in prepayments for equipment	(246,806)	(180,645)
Dividends received	2,179	1,889
<b>Net cash flows used in investing activities</b>	<u>(735,347)</u>	<u>(782,736)</u>
<b>Cash flows from (used in) financing activities:</b>		
Repayments of short-term borrowings	(717,587)	(1,655)
Increase in long-term borrowings	-	83,769
Repayment of long-term borrowings	(38,091)	(42,322)
Decrease in financial liabilities at fair value through profit or loss, designated as upon initial recognition	-	(11,627)
(Decrease) increase in guarantee deposits received	(81,419)	33,239
Cash dividends paid	(2,824,367)	(2,087,899)
Proceeds from issuing shares	2,560,000	-
<b>Net cash flows used in financing activities</b>	<u>(1,101,464)</u>	<u>(2,026,495)</u>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<u>70,839</u>	<u>(42,883)</u>
<b>Net increase in cash and cash equivalents</b>	2,528,413	1,811,203
<b>Cash and cash equivalents at beginning of period</b>	3,661,074	1,849,871
<b>Cash and cash equivalents at end of period</b>	<u>\$ 6,189,487</u>	<u>3,661,074</u>

**Supplement 4****PROFIT DISTRIBUTION TABLE  
Year 2016**

(Unit: NTD \$ )

<b>Items</b>	<b>Total</b>
Beginning retained earnings	3,190,744,880
Add: net profit after tax	3,659,516,915
Less: remeasurement of defined benefit plans	-15,221,000
Distributable net profit	6,835,040,795
Distributable items:	
Less: 10% legal reserve	-365,951,692
Cash dividend	-2,824,367,322
Stock dividend	-53,797,470
Unappropriated retained earnings	3,590,924,311
Notes: Distribute the retained earnings of 2016 first.	