

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

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

CONSOLIDATED INTERIM FINANCIAL STATEMENTS

**June 30, 2017 and 2016
(With Independent Auditors' Review Report Thereon)**

Address: 10F.-3, No.80, Sec. 2, Chang'an E. Rd., Taipei City
Telephone: (02)2299-6000

The auditors' review report and the accompanying consolidated interim financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors' report and consolidated interim financial statements, the Chinese version shall prevail.

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Independent Auditors' Review Report

To the Board of Directors
Eclat Textile Co., Ltd.:

We have reviewed the accompanying consolidated balance sheets of Eclat Textile Co., Ltd. and its subsidiaries (the "Group") as of June 30, 2017 and 2016, and the related consolidated statements of comprehensive income for the three and six months ended June 30, 2017 and 2016, and changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These consolidated interim financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these consolidated interim financial statements based on our reviews.

Except for the matters described in the third paragraph, we conducted our reviews in accordance with Statement on Auditing Standard 36, "Review of Financial Statements" issued by the Auditing Standards Committee of the Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated interim financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements of the partial subsidiaries were consolidated based on their unreviewed financial statements. The total assets of the aforementioned subsidiaries were NT\$2,538,064 thousand and NT\$2,735,758 thousand, constituting 12.16% and 13.02% of the consolidated total assets as of June 30, 2017 and 2016, respectively. The total liabilities of the aforementioned subsidiaries were NT\$672,474 thousand and NT\$598,572 thousand, constituting 8.66% and 7.38% of the consolidated total liabilities as of June 30, 2017 and 2016, respectively. The total comprehensive losses of these subsidiaries amounted to NT\$363,297 thousand, NT\$355,455 thousand, NT\$706,758 thousand and NT\$732,485 thousand, constituting (45.43)%, (44.48)%, (84.64)% and (52.71)% of the total consolidated comprehensive income for the three months and six months ended June 30, 2017 and 2016, respectively.

Based on our reviews, except for the effects of adjustments, if any, as might have been determined to be necessary had the consolidated interim financial statements of the investees described in the third paragraph been reviewed, we are not aware of any material modifications that should be made to the consolidated interim financial statements referred to above for them to be in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards No. 34 “Interim Financial Reporting” endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)
August 3, 2017

Notes to Readers

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

The auditors’ report and the accompanying consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of the English and Chinese language auditors’ report and consolidated financial statements, the Chinese version shall prevail.

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Reviewed Only, Not Audited In Accordance With Generally Accepted Auditing Standards**

ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2017, December 31, 2016, and June 30, 2016

(Expressed in Thousands of New Taiwan Dollars)

| Assets | | June 30, 2017 | | December 31, 2016 | | June 30, 2016 | | Liabilities and Equity | | June 30, 2017 | | December 31, 2016 | | June 30, 2016 | |
|----------------------------|---|----------------------|------------|-------------------|------------|-------------------|------------|---|---|----------------------|------------|-------------------|------------|-------------------|------------|
| | | Amount | % | Amount | % | Amount | % | | | Amount | % | Amount | % | Amount | % |
| Current assets: | | | | | | | | Current liabilities: | | | | | | | |
| 1100 | Cash and cash equivalents(note 6 (a)) | \$ 6,846,934 | 33 | 6,189,487 | 31 | 7,600,225 | 36 | 2100 | Short-term borrowings(note 6 (g)) | \$ 1,786,263 | 9 | 1,509,622 | 8 | 1,852,456 | 9 |
| 1150 | Notes receivable(note 6 (b)) | 4,983 | - | 4,077 | - | 2,043 | - | 2120 | Current financial liabilities at fair value through profit or loss | 1,243 | - | - | - | - | - |
| 1170 | Accounts receivable, net(note 6 (b)) | 3,126,074 | 15 | 3,093,252 | 16 | 2,541,675 | 12 | 2150 | Notes payable | 280,568 | 1 | 343,295 | 2 | 329,701 | 2 |
| 1200 | Other receivables, net(note 6 (b)) | 21,306 | - | 15,642 | - | 12,242 | - | 2170 | Accounts payable | 1,459,465 | 7 | 1,226,207 | 6 | 1,301,448 | 6 |
| 1310 | Inventories, net(note 6 (c)) | 3,687,933 | 18 | 3,340,601 | 17 | 3,548,969 | 17 | 2200 | Other payables | 3,499,351 | 17 | 934,821 | 5 | 3,625,737 | 17 |
| 1460 | Non-current assets held for sale, net(note 6 (d)) | 16,520 | - | - | - | - | - | 2230 | Current tax liabilities | 291,571 | 1 | 437,898 | 2 | 435,950 | 2 |
| 1470 | Other current assets(notes 6(f) and 8) | 333,532 | 1 | 309,988 | 1 | 415,506 | 2 | 2260 | Liabilities related to non-current assets held for sale(note 6 (d)) | 1,784 | - | - | - | - | - |
| | Total current assets | <u>14,037,282</u> | <u>67</u> | <u>12,953,047</u> | <u>65</u> | <u>14,120,660</u> | <u>67</u> | 2320 | Long-term liabilities, current portion(note 6 (h)) | - | - | 66,693 | - | 66,745 | - |
| Non-current assets: | | | | | | | | 2399 | Other current liabilities, others | 258,891 | 1 | 86,480 | - | 118,720 | 1 |
| 1550 | Investments accounted for using equity method | 31,178 | - | 31,454 | - | 13,400 | - | | Total current liabilities | <u>7,579,136</u> | <u>36</u> | <u>4,605,016</u> | <u>23</u> | <u>7,730,757</u> | <u>37</u> |
| 1600 | Property, plant and equipment(notes 6 (e) and 7) | 6,266,417 | 30 | 6,416,816 | 33 | 6,398,764 | 31 | Non-Current liabilities: | | | | | | | |
| 1780 | Intangible assets | 30,666 | - | 37,889 | - | 37,663 | - | 2540 | Long-term borrowings(note 6 (h)) | - | - | 30,980 | - | 64,797 | - |
| 1840 | Deferred tax assets | 31,537 | - | 31,537 | - | 35,851 | - | 2570 | Deferred tax liabilities | 40,297 | - | 40,297 | - | 50,499 | - |
| 1900 | Other non-current assets(note 6 (f)) | 476,119 | 3 | 437,323 | 2 | 400,812 | 2 | 2640 | Net defined benefit liability, non-current | 135,200 | 1 | 131,699 | 1 | 189,276 | 1 |
| | Total non-current assets | <u>6,835,917</u> | <u>33</u> | <u>6,955,019</u> | <u>35</u> | <u>6,886,490</u> | <u>33</u> | 2670 | Other non-current liabilities | 11,710 | - | 3,874 | - | 72,101 | - |
| | | | | | | | | | Total non-current liabilities | <u>187,207</u> | <u>1</u> | <u>206,850</u> | <u>1</u> | <u>376,673</u> | <u>1</u> |
| | | | | | | | | | Total liabilities | <u>7,766,343</u> | <u>37</u> | <u>4,811,866</u> | <u>24</u> | <u>8,107,430</u> | <u>38</u> |
| | | | | | | | | Equity Attributable to Owners of Parent(Note 6 (k)): | | | | | | | |
| | | | | | | | | Capital stock: | | | | | | | |
| | | | | | | | | 3110 | Common stock | 2,689,874 | 13 | 2,689,874 | 13 | 2,689,874 | 13 |
| | | | | | | | | 3150 | Stock dividends to be distributed | 53,797 | - | - | - | - | - |
| | | | | | | | | | Total capital stock | <u>2,743,671</u> | <u>13</u> | <u>2,689,874</u> | <u>13</u> | <u>2,689,874</u> | <u>13</u> |
| | | | | | | | | Capital surplus: | | | | | | | |
| | | | | | | | | 3200 | Capital surplus | 3,769,437 | 18 | 3,769,437 | 19 | 3,769,437 | 18 |
| | | | | | | | | Retained earnings: | | | | | | | |
| | | | | | | | | 3310 | Legal reserve | 2,013,408 | 10 | 1,647,456 | 8 | 1,647,456 | 8 |
| | | | | | | | | 3350 | Unappropriated retained earnings (note 6 (j)) | 4,652,009 | 22 | 6,835,041 | 35 | 4,644,928 | 22 |
| | | | | | | | | | Total retained earnings | <u>6,665,417</u> | <u>32</u> | <u>8,482,497</u> | <u>43</u> | <u>6,292,384</u> | <u>30</u> |
| | | | | | | | | 3490 | Other equity, others | (71,669) | - | 154,392 | 1 | 148,025 | 1 |
| | | | | | | | | | Total equity | <u>13,106,856</u> | <u>63</u> | <u>15,096,200</u> | <u>76</u> | <u>12,899,720</u> | <u>62</u> |
| | | | | | | | | Total liabilities and equity | | <u>\$ 20,873,199</u> | <u>100</u> | <u>19,908,066</u> | <u>100</u> | <u>21,007,150</u> | <u>100</u> |
| | Total assets | <u>\$ 20,873,199</u> | <u>100</u> | <u>19,908,066</u> | <u>100</u> | <u>21,007,150</u> | <u>100</u> | | | | | | | | |

See accompanying notes to consolidated interim financial statements.

**(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
Reviewed Only, Not Audited In Accordance With Generally Accepted Auditing Standards**

ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

| | For the three months ended June 30 | | | | For the six months ended June 30 | | | | |
|------|---|-------------------|-----------|------------------|----------------------------------|------------------|------------|------------------|------------|
| | 2017 | | 2016 | | 2017 | | 2016 | | |
| | Amount | % | Amount | % | Amount | % | Amount | % | |
| 4000 | Operating revenues (notes 6 (m) and 14) | \$ 5,943,473 | 100 | 5,827,631 | 100 | 11,089,230 | 100 | 11,418,102 | 100 |
| 5000 | Operating costs (notes 6 (c)(i)(n), 7(b) and 12(a)) | 4,361,609 | 73 | 4,187,415 | 72 | 8,128,253 | 73 | 8,284,788 | 72 |
| | Gross profit from operations | <u>1,581,864</u> | <u>27</u> | <u>1,640,216</u> | <u>28</u> | <u>2,960,977</u> | <u>27</u> | <u>3,133,314</u> | <u>28</u> |
| | Operating expenses (notes 6(b)(i)(n), 7(b) and 12(a)): | | | | | | | | |
| 6100 | Selling expenses | 328,747 | 6 | 321,482 | 5 | 648,024 | 6 | 619,715 | 5 |
| 6200 | Administrative expenses | 246,679 | 4 | 206,276 | 4 | 467,065 | 4 | 424,217 | 4 |
| 6300 | Research and development expenses | 42,210 | 1 | 39,396 | 1 | 84,654 | 1 | 73,113 | 1 |
| | Total operating expenses | <u>617,636</u> | <u>11</u> | <u>567,154</u> | <u>10</u> | <u>1,199,743</u> | <u>11</u> | <u>1,117,045</u> | <u>10</u> |
| | Net operating income | <u>964,228</u> | <u>16</u> | <u>1,073,062</u> | <u>18</u> | <u>1,761,234</u> | <u>16</u> | <u>2,016,269</u> | <u>18</u> |
| | Non-operating income and expenses (note 6 (o)): | | | | | | | | |
| 7010 | Other income | 36,824 | 1 | 8,058 | - | 51,205 | 1 | 11,630 | - |
| 7020 | Other gains and losses, net | 23,777 | - | 35,734 | 1 | (423,649) | (4) | (95,161) | (1) |
| 7050 | Finance costs | (7,278) | - | (7,864) | - | (13,280) | - | (15,862) | - |
| 7060 | Share of profit of associates and joint ventures accounted for using equity method, net | 585 | - | 146 | - | 631 | - | 1,718 | - |
| | Total non-operating income and expenses | <u>53,908</u> | <u>1</u> | <u>36,074</u> | <u>1</u> | <u>(385,093)</u> | <u>(3)</u> | <u>(97,675)</u> | <u>(1)</u> |
| 7900 | Income before income tax | <u>1,018,136</u> | <u>17</u> | <u>1,109,136</u> | <u>19</u> | <u>1,376,141</u> | <u>13</u> | <u>1,918,594</u> | <u>17</u> |
| 7950 | Less: Income tax (note 6 (j)) | 224,712 | 4 | 291,062 | 5 | 297,712 | 3 | 439,127 | 4 |
| | Profit from continuing operations | <u>793,424</u> | <u>13</u> | <u>818,074</u> | <u>14</u> | <u>1,078,429</u> | <u>10</u> | <u>1,479,467</u> | <u>13</u> |
| 8100 | Loss from discontinued operations, net of tax (note 12 (c)) | (3,563) | - | (17,021) | - | (17,345) | - | (25,284) | - |
| 8200 | Net income | <u>789,861</u> | <u>13</u> | <u>801,053</u> | <u>14</u> | <u>1,061,084</u> | <u>10</u> | <u>1,454,183</u> | <u>13</u> |
| | Other comprehensive income: | | | | | | | | |
| 8360 | Items that may be reclassified subsequently to profit or loss | | | | | | | | |
| 8361 | Exchange differences on translation of foreign financial statements | 9,798 | - | (2,005) | - | (226,061) | (2) | (64,425) | (1) |
| 8399 | Income tax expense related to items that may be reclassified subsequently | - | - | - | - | - | - | - | - |
| | Other comprehensive income, net of income tax | <u>9,798</u> | <u>-</u> | <u>(2,005)</u> | <u>-</u> | <u>(226,061)</u> | <u>(2)</u> | <u>(64,425)</u> | <u>(1)</u> |
| 8500 | Total comprehensive income | <u>\$ 799,659</u> | <u>13</u> | <u>799,048</u> | <u>14</u> | <u>835,023</u> | <u>8</u> | <u>1,389,758</u> | <u>12</u> |
| | Earnings per share (note 6(l)) | | | | | | | | |
| 9750 | Basic earnings per share (in dollars) | | | | | | | | |
| | Basic earnings per share from continuing operations | \$ 2.95 | | 3.04 | | 4.01 | | 5.55 | |
| | Basic loss per share from discontinued operations (note 12 (c)) | (0.01) | | (0.06) | | (0.07) | | (0.09) | |
| | Total basic earnings per share | <u>\$ 2.94</u> | | <u>2.98</u> | | <u>3.94</u> | | <u>5.46</u> | |
| 9850 | Diluted earnings per share (in dollars) | | | | | | | | |
| | Diluted earnings per share from continuing operations | \$ 2.95 | | 3.04 | | 4.01 | | 5.55 | |
| | Diluted loss per share from discontinued operations (note 12 (c)) | (0.01) | | (0.06) | | (0.07) | | (0.09) | |
| | Total diluted earnings per share | <u>\$ 2.94</u> | | <u>2.98</u> | | <u>3.94</u> | | <u>5.46</u> | |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

| | Capital stock | | Retained earnings | | | Other equity | | Total equity |
|--|---------------|----------------------------------|-------------------|---------------|----------------------------------|-------------------------|---|--------------|
| | Common stocks | Stock dividend to be distributed | Capital surplus | Legal reserve | Unappropriated retained earnings | Total retained earnings | Exchange differences on translation of foreign financial statements | |
| Balance at January 1, 2016 | \$ 2,609,874 | - | 1,289,437 | 1,230,078 | 6,432,490 | 7,662,568 | 212,450 | 11,774,329 |
| Net income | - | - | - | - | 1,454,183 | 1,454,183 | - | 1,454,183 |
| Other comprehensive income | - | - | - | - | - | - | (64,425) | (64,425) |
| Total comprehensive income | - | - | - | - | 1,454,183 | 1,454,183 | (64,425) | 1,389,758 |
| 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 |
| Balance at June 30, 2016 | \$ 2,689,874 | - | 3,769,437 | 1,647,456 | 4,644,928 | 6,292,384 | 148,025 | 12,899,720 |
| Balance at January 1, 2017 | \$ 2,689,874 | - | 3,769,437 | 1,647,456 | 6,835,041 | 8,482,497 | 154,392 | 15,096,200 |
| Net income | - | - | - | - | 1,061,084 | 1,061,084 | - | 1,061,084 |
| Other comprehensive income | - | - | - | - | - | - | (226,061) | (226,061) |
| Total comprehensive income | - | - | - | - | 1,061,084 | 1,061,084 | (226,061) | 835,023 |
| Appropriation and distribution of retained earnings: | | | | | | | | |
| Legal reserve appropriated | - | - | - | 365,952 | (365,952) | - | - | - |
| Cash dividends to shareholders | - | - | - | - | (2,824,367) | (2,824,367) | - | (2,824,367) |
| Stock dividends to shareholders | - | 53,797 | - | - | (53,797) | (53,797) | - | - |
| Balance at June 30, 2017 | \$ 2,689,874 | 53,797 | 3,769,437 | 2,013,408 | 4,652,009 | 6,665,417 | (71,669) | 13,106,856 |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

| | For the six months ended June 30 | |
|--|----------------------------------|-----------|
| | 2017 | 2016 |
| Cash flows from (used in) operating activities: | | |
| Profit from continuing operations before tax | \$ 1,376,141 | 1,918,594 |
| Loss from discontinued operations before tax | (17,345) | (25,284) |
| Income before income tax | 1,358,796 | 1,893,310 |
| Adjustments: | | |
| Adjustments to reconcile income before income tax | | |
| Depreciation expense | 385,744 | 403,596 |
| Amortization expense | 7,505 | 8,649 |
| Loss on financial assets or liabilities at fair value through profit or loss | 1,243 | - |
| Interest expense | 13,640 | 15,862 |
| Interest income | (49,751) | (10,336) |
| Share of profit of associates and joint ventures accounted for using equity method | (631) | (1,718) |
| Loss on disposal of property, plant and equipment | 23,043 | 15,980 |
| Total adjustments to reconcile income before income tax | 380,793 | 432,033 |
| Changes in operating assets and liabilities: | | |
| Net changes in operating assets: | | |
| (Increase) decrease in notes and accounts receivable | (37,317) | 514,378 |
| (Increase) decrease in inventories | (347,052) | 14,403 |
| Increase in other current assets | (23,548) | (76,913) |
| (Increase) decrease in other financial assets | (5,664) | 38,430 |
| Decrease (increase) in other operating assets | 25,740 | (22,608) |
| Total changes in operating assets | (387,841) | 467,690 |
| Net changes in operating liabilities: | | |
| Increase in notes and accounts payable | 170,531 | 93,185 |
| Decrease in other payable | (259,837) | (193,272) |
| Increase in other current liabilities | 174,196 | 35,444 |
| Increase in net defined benefit liability | 3,501 | 250 |
| Total changes in operating liabilities | 88,391 | (64,393) |
| Total changes in operating assets and liabilities | (299,450) | 403,297 |
| Total adjustments | 81,343 | 835,330 |
| Cash inflow generated from operations | 1,440,139 | 2,728,640 |
| Interest received | 49,751 | 10,336 |
| Interest paid | (13,640) | (15,862) |
| Income taxes paid | (444,039) | (607,343) |
| Net cash flows from operating activities | 1,032,211 | 2,115,771 |
| Cash flows from (used in) investing activities: | | |
| Acquisition of (used in) property, plant and equipment | (429,109) | (199,844) |
| Proceeds from disposal of property, plant and equipment | 71,148 | 4,653 |
| Increase in refundable deposits | (2,052) | (1,850) |
| Acquisition of intangible assets | (970) | (22,085) |
| Increase in prepayments for business facilities | (12,280) | (156,248) |
| Dividends received | - | 2,179 |
| Net cash flows used in investing activities | (373,263) | (373,195) |
| Cash flows from (used in) financing activities: | | |
| Increase (decrease) in short-term borrowings | 276,641 | (374,753) |
| Repayments of long-term borrowings | (97,673) | (4,222) |
| Increase (decrease) in other non-current liabilities | 7,836 | (13,192) |
| Proceeds from issuance of shares | - | 2,560,000 |
| Net cash flows from financing activities | 186,804 | 2,167,833 |
| Effect of exchange rate changes on cash and cash equivalents | (175,494) | 28,742 |
| Net increase in cash and cash equivalents | 670,258 | 3,939,151 |
| Cash and cash equivalents at beginning of period | 6,189,487 | 3,661,074 |
| Cash and cash equivalents at end of period | \$ 6,859,745 | 7,600,225 |
| Cash and cash equivalents reported in the statement of financial position | \$ 6,846,934 | 7,600,225 |
| Cash and cash equivalents reclassified as non-current assets held for sale | \$ 12,811 | - |

See accompanying notes to consolidated interim financial statements.

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Reviewed Only, Not Audited In Accordance With Generally Accepted Auditing Standards**

ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Company history

Eclat Textile Co., Ltd. (the “Company”) was incorporated in November 1977. The Company has established the Tashan Plant, Miao-li Plant and Hsichou Plant in Miao-li, and Dayuan Plant in Taoyuan. The Company and its subsidiaries (the “Group”) have mainly been involved in the manufacturing and marketing of knitwear. Please refer to note 4(b) for more details about the operation of the Group.

(2) Approval date and procedures of the consolidated financial statements

On August 3, 2017, the board of directors approved and noted the consolidated interim financial statements as of and for the six-month periods ended June 30.

(3) New standards, amendments and interpretations adopted

- (a) Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already taken effect.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective date per IASB</u> |
|--|--------------------------------|
| Amendments to IFRS 10, IFRS 12 and IAS 28 “Investment Entities: Applying the Consolidation Exception” | January 1, 2016 |
| Amendments to IFRS 11 “Accounting for Acquisitions of Interests in Joint Operations” | January 1, 2016 |
| IFRS 14 “Regulatory Deferral Accounts” | January 1, 2016 |
| Amendment to IAS 1 “Disclosure Initiative” | January 1, 2016 |
| Amendments to IAS 16 and IAS 38 “Clarification of Acceptable Methods of Depreciation and Amortization” | January 1, 2016 |
| Amendments to IAS 16 and IAS 41 “Agriculture: Bearer Plants” | January 1, 2016 |
| Amendments to IAS 19 “Defined Benefit Plans: Employee Contributions” | July 1, 2014 |
| Amendment to IAS 27 “Equity Method in Separate Financial Statements” | January 1, 2016 |
| Amendments to IAS 36 “Recoverable Amount Disclosures for Non-Financial Assets” | January 1, 2014 |
| Amendments to IAS 39 “Novation of Derivatives and Continuation of Hedge Accounting” | January 1, 2014 |
| Annual improvements cycles 2010-2012 and 2011-2013 | July 1, 2014 |
| Annual improvements cycle 2012-2014 | January 1, 2016 |
| IFRIC 21 “Levies” | January 1, 2014 |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated interim financial statements.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017:

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective date per IASB</u> |
|--|--------------------------------|
| Amendment to IFRS 2 “Classification and Measurement of Share based Payment Transactions” | January 1, 2018 |
| Amendments to IFRS 4 “Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts” | January 1, 2018 |
| IFRS 9 “Financial Instruments” | January 1, 2018 |
| IFRS 15 “Revenue from Contracts with Customers” | January 1, 2018 |
| Amendment to IAS 7 “Statement of Cash Flows -Disclosure Initiative” | January 1, 2017 |
| Amendment to IAS 12 “Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses” | January 1, 2017 |
| Amendments to IAS 40 “Transfers of Investment Property” | January 1, 2018 |
| Annual Improvements to IFRS Standards 2014–2016 Cycle: | |
| Amendments to IFRS 12 | January 1, 2017 |
| Amendments to IFRS 1 and Amendments to IAS 28 | January 1, 2018 |
| IFRIC 22 “Foreign Currency Transactions and Advance Consideration” | January 1, 2018 |

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 9 “Financial Instruments”

IFRS 9 replaces IAS 39 “Financial Instruments: Recognition and Measurement” which contains classification and measurement of financial instruments, impairment and hedge accounting. The actual impact of adopting IFRS 9 on the Group’s consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at June 30, 2017 and hedging relationships designated under during the first half of 2017 under IAS 39.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

1) Classification and measurement - Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. In addition, IAS 39 has an exception to the measurement requirements for investments in unquoted equity instruments that do not have a quoted market price in an active market (and derivatives on such an instrument) and for which fair value cannot therefore be measured reliably. Such financial instruments are measured at cost. IFRS 9 removes this exception, requiring all equity investments (and derivatives on them) to be measured at fair value.

Based on its preliminary assessment, the Group does not believe that the new classification requirements, if applied at June 30, 2017, would have had a material impact on its accounting for trade receivables.

2) Impairment-Financial assets and contract assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with a forward-looking ‘expected credit loss’ (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset’s credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

Based on its preliminary assessment, the Group does not believe that the application of IFRS 9's impairment requirements at June 30, 2017 would have had a material impact on the consolidated financial statements.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

For the sale of products, revenue is currently recognized when the goods are delivered to the *customers' premises*, which is taken to be the point in time at which the customer accepts the goods and the related risks and rewards of ownership transfer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

Based on the it's preliminary assessment, the Group suggests the point in time at which the customer accepts the goods is familiar to when the related risks and rewards of ownership transfers and does not expect that there will be a significant impact on its consolidated financial statements..

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group intends to present reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

| <u>New, Revised or Amended Standards and Interpretations</u> | <u>Effective date per IASB</u> |
|--|---|
| Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture" | Effective date to be determined by IASB |
| IFRS 16 "Leases" | January 1, 2019 |
| IFRS 17 "Insurance Contracts" | January 1, 2021 |
| IFRIC 23 "Uncertainty over Income Tax Treatments" | January 1, 2019 |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

Those which may be relevant to the Group are set out below:

| Issuance / Release Dates | Standards or Interpretations | Content of amendment |
|-------------------------------------|---|--|
| January 13, 2016 | IFRS 16 “Leases” | <p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • For a contract that is, or contains, a lease, the lessee shall recognize a right of use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right of-use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17. |
| June 7, 2017 | IFRIC 23 “Uncertainty over Income Tax Treatments” | <ul style="list-style-type: none"> • In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty. |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(4) Summary of significant accounting policies:

(a) Statement of compliance

The accompanying consolidated interim financial statements have been prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers (hereinafter referred to as the Guidelines) and IAS 34 “Interim Financial Reporting” endorsed by the FSC. These consolidated interim financial statements do not include all disclosures required for annual financial statements under the Guidelines and IFRSs, IASs, IFRIC Interpretations and SIC Interpretations as endorsed by the FSC (hereinafter referred to as IFRS as endorsed by the FSC).

Except as described below, the significant accounting policies adopted in the accompanying consolidated interim financial statements are the same as those adopted in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 4 of the consolidated financial statements for the year ended December 31, 2016 for related information.

(b) Basis of consolidation

Principles used in preparing the consolidated interim financial statements are the same as those used for the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 4(c) of the consolidated financial statements for the year ended December 31, 2016, for complete disclosures of significant accounting policies.

(i) The subsidiaries included in the consolidated interim financial statements are as follows:

| Investor | Subsidiaries | Business activity | Percentage of ownership(%) | | | Note |
|--------------|--------------------------|--|----------------------------|-------------------|---------------|--------|
| | | | June 30, 2017 | December 31, 2016 | June 30, 2016 | |
| The Company | Grand Elite | Investments in securities, real estate, and manufacturing industry | 100.00 % | 100.00 % | 100.00 % | |
| The Company | Eclat Cayman | Investments in securities, real estate, and manufacturing industry | 100.00 % | 100.00 % | 100.00 % | |
| Grand Elite | Aegis | Garment merchandise and manufacture | 100.00 % | 100.00 % | 100.00 % | Note 1 |
| Grand Elite | Miaw Shun (Cambodia) | Design, manufacture, processing and sale of clothing | - % | 100.00 % | 100.00 % | Note 2 |
| Grand Elite | Eclat Textile (Cambodia) | Design, manufacture, processing and sale of clothing | 100.00 % | 100.00 % | 100.00 % | |
| Eclat Cayman | Unison | Design, manufacture, processing and sale of clothing | 100.00 % | 100.00 % | 100.00 % | Note 3 |
| Eclat Cayman | Eclat Vietnam | Design, manufacture, processing and sale of clothing | 100.00 % | 100.00 % | 100.00 % | |
| Eclat Cayman | Fabrics | Knit fabric mill, printing, dyeing and finishing mill | 100.00 % | 100.00 % | 100.00 % | |
| Eclat Cayman | E-TOP (VN) | Design, manufacture, processing and sale of clothing | 100.00 % | 100.00 % | 100.00 % | |
| Eclat Cayman | Colltex | Design, manufacture, processing and sale of clothing | 100.00 % | 100.00 % | 100.00 % | |
| Eclat Cayman | Eclat Enterprise | Investments in securities, real estate, and manufacturing industry | 100.00 % | 100.00 % | 100.00 % | |
| Eclat Cayman | TAI-YUAN(VN) | Design, manufacture, processing and sale of clothing | 100.00 % | 100.00 % | 100.00 % | |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

Note 1: The BOD approved the dissolution and liquidation of Aegis on May 4, 2017 .

Note 2: The BOD approved the dissolution and liquidation of Miaw Shun (Cambodia) on May 7, 2015 and sold out by transferring equity in January, 2017.

Note 3: There is no longer any advantage in investing due to the raise in labor, material and supply cost in Mainland China, consequently, the BOD approved the dissolution and liquidation of Unison on December 7, 2016. Please refer to Note 6(d) for further information.

(ii) The subsidiaries not included in the consolidated interim financial statements: none.

(c) Non-current assets held for sale and discontinued operations

The Group's operation in Mainland China has been held for sale in the first quarter of 2017. It is highly possible that it will be disposed in the current year; therefore, the Group applied the accounting policies of non-current assets held for sale and discontinued its operations commencing January 1, 2017.

(i) Non-current assets held for sale

Non-current assets or disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are reclassified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group are re-measured in accordance with the Group's accounting policies. Thereafter, the assets or disposal groups are generally measured at the lower of their carrying amount and fair value less costs to sell.

Any impairment loss on a disposal groups will first be allocated to goodwill, and then the remaining assets and liabilities will be apportioned on a pro rata basis, except that the loss is allocated assets not in the scope of IAS 36 – Impairments, such assets will continue to be measured in accordance with the Group's accounting policies.

Impairment losses on assets initially classified as held for sale and any subsequent gains or losses on re-measurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

When the assets classified as held for sale are intangible assets or property, plant and equipment, they are no longer amortized or depreciated.

(ii) Discontinued operations

A discontinued operation is a segment of the Group which it has disposed of or held for sale and is solely a main practice or operation district. An operation will be classified as a discontinued operation upon disposal or when the operation meets the criteria to be classified as held for sale, whichever comes first.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(d) Income taxes

The Group evaluates and discloses interim period income tax expense in accordance with paragraph B12 of IAS 34 “Interim Financial Reporting”.

Income tax expense is best estimated by multiplying the pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. All income tax expense should be recognized as current tax expense.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time of the asset or liability is recovered or settled and recognized directly in equity or other comprehensive income as tax expense.

(e) Employee benefits

The pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other significant one-time events.

(5) Significant accounting assumptions and judgments, and major sources of estimation uncertainty:

The consolidated interim financial statements are prepared in conformity with IAS 34 “Interim Financial Reporting” as endorsed by the FSC, under which, management make judgments, estimates and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In these consolidated interim financial statements, judgments and key sources of estimation uncertainty used by management in the application of critical accounting policies are expected to be consistent with those in Note 5 of the consolidated financial statements for the year ended December 31, 2016.

(6) Explanation of significant accounts:

Except as described below, the description of significant accounts in the accompanying consolidated interim financial statements is not materially different from those in the consolidated financial statements for the year ended December 31, 2016. Please refer to Note 6 of the consolidated financial statements for the year ended December 31, 2016, for more details.

(a) Cash and Cash Equivalents

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---------------------------|----------------------------|------------------------------|--------------------------|
| Cash | \$ 8,138 | 6,902 | 9,054 |
| Bank deposits | 3,280,706 | 1,931,823 | 3,025,907 |
| Term deposits | <u>3,558,090</u> | <u>4,250,762</u> | <u>4,565,264</u> |
| Cash and cash equivalents | <u>\$ 6,846,934</u> | <u>6,189,487</u> | <u>7,600,225</u> |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(b) Notes receivable, accounts receivable and other receivables

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|---|----------------------------|------------------------------|--------------------------|
| Notes receivable - operating activities | \$ 4,983 | 4,077 | 2,043 |
| Accounts receivable | 3,150,160 | 3,117,338 | 2,565,761 |
| Other receivables | 21,867 | 16,203 | 12,772 |
| Less: allowance for doubtful accounts | <u>(24,647)</u> | <u>(24,647)</u> | <u>(24,616)</u> |
| Total | <u>\$ 3,152,363</u> | <u>3,112,971</u> | <u>2,555,960</u> |

Overdue but unimpaired aging of notes receivable, accounts receivable and other receivables of the Group were as follows:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|----------------------------------|--------------------------|------------------------------|--------------------------|
| Overdue less than 30 days | \$ 104,671 | 87,817 | 153,808 |
| Overdue from 31days to 120 days | 82,853 | 28,864 | 2,856 |
| Overdue from 121days to 300 days | <u>16,478</u> | <u>5,556</u> | <u>176</u> |
| Total | <u>\$ 204,002</u> | <u>122,237</u> | <u>156,840</u> |

Changes in allowance for doubtful accounts of notes receivable, accounts receivable and other receivables of the Group for 2017 and 2016 were as follows:

| | Impairment loss of separate assessment | Impairment loss of combined assessment | Total |
|---|---|---|----------------------|
| Beginning balance as of January 1, 2017 | \$ 17,946 | 6,701 | 24,647 |
| Recognized impairment loss | 6,311 | - | 6,311 |
| Reversal of impairment loss | <u>-</u> | <u>(6,311)</u> | <u>(6,311)</u> |
| Ending balance as of June 30, 2017 | <u>\$ 24,257</u> | <u>390</u> | <u>24,647</u> |
| Beginning balance as of January 1,2016 | \$ 13,332 | 11,284 | 24,616 |
| Recognized impairment loss | 3,993 | - | 3,993 |
| Reversal of impairment loss | <u>-</u> | <u>(3,993)</u> | <u>(3,993)</u> |
| Ending balance as of June 30, 2016 | <u>\$ 17,325</u> | <u>7,291</u> | <u>24,616</u> |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

Accounts receivable of the Group have been insured accounts receivable credit risk. The insured amounts are \$367,976 thousand, \$508,182 thousand and \$335,391 thousand as of June 30, 2017, December 31, 2016 and June 30, 2016. Guaranteed fraction is 90% of reviewed credit of policyholder; the recoverable amount of the insurance is considered when deciding impairment amount of accounts receivable.

None of accounts receivable and notes receivable held by the Group were pledged as collaterals or discounted as of June 30, 2017, December 31, 2016 and June 30, 2016.

(c) Inventories

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|------------------|----------------------------|------------------------------|--------------------------|
| Raw materials | \$ 2,071,168 | 1,844,860 | 2,006,303 |
| Supplies | 444,967 | 477,242 | 462,085 |
| Work in progress | 904,678 | 838,603 | 926,986 |
| Finished goods | <u>267,120</u> | <u>179,896</u> | <u>153,595</u> |
| | <u>\$ 3,687,933</u> | <u>3,340,601</u> | <u>3,548,969</u> |

As the net realizable value of inventories has increased due to the recovery of the inventory devaluation in the prior period. The Group recognized a gain from recovery in the value of inventories and a loss on inventories from the write-down of the book value for the six-month and three-month periods ended June 30, 2017 and 2016, respectively. The loss and gain (which is the difference between the cost and the net realizable value) was reported as cost of goods sold as follows:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|---|--|-----------------------|--|-----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| (Gain from recovery in the value of inventories)loss on decline of inventory market price | <u>\$ (128)</u> | <u>(1,493)</u> | <u>1,925</u> | <u>(3,634)</u> |

None of inventories held by the Group were pledged as of June 30, 2017, December 31, 2016 and June 30, 2016.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
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(d) Non-current assets held for sale and its relevant liabilities

The Company's board of directors approved a resolution of Unison's dissolution on December 7, 2016. Unison commenced the liquidation procedure in 2017, and would expect to complete the dissolution within 1 year. The non-current assets and relevant liabilities are reclassified as a held-for-sale group, as of June 30, 2017, the relevant assets and liabilities are \$16,520 thousand and \$1,784 thousand, respectively. The details were as follows:

| | June 30, 2017 |
|-------------------------------|----------------------|
| Cash and cash equivalents | \$ 12,811 |
| Property, plant and equipment | 116 |
| Other assets | 3,593 |
| Assets held for sale | \$ 16,520 |
| Other payable | \$ 1,339 |
| Other liabilities | 445 |
| Liabilities held for sale | \$ 1,784 |

(e) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Group were as follows:

| | | Land | Buildings | Machinery and equipment | Transportation equipment | Office equipment | Miscellaneous equipment | Construction in progress | Total |
|----------------------------------|-----------|------------------|------------------|-------------------------------|-----------------------------|---------------------|----------------------------|-----------------------------|-------------------|
| Cost: | | | | | | | | | |
| Balance at January 1, 2017 | \$ | 1,187,924 | 3,623,069 | 4,269,662 | 94,682 | 215,318 | 1,061,701 | 270,104 | 10,722,460 |
| Additions | | - | 2,227 | 26,555 | 920 | 2,456 | 24,387 | 372,564 | 429,109 |
| Disposals | | - | (127,669) | (115,327) | (5,030) | (13,435) | (14,417) | - | (275,878) |
| Reclassification | | - | 5,743 | 249,663 | 9,260 | 652 | 12,466 | (165,749) | 112,035 |
| Reclassification as held to sale | | - | - | - | (1,163) | - | - | - | (1,163) |
| Effect of exchange rates changes | | (1,652) | (134,909) | (143,740) | (3,342) | (5,718) | (46,508) | (17,138) | (353,007) |
| Balance as of June 30, 2017 | \$ | 1,186,272 | 3,368,461 | 4,286,813 | 95,327 | 199,273 | 1,037,629 | 459,781 | 10,633,556 |
| Balance at January 1, 2016 | \$ | 1,188,443 | 3,642,566 | 4,012,028 | 91,854 | 212,374 | 965,414 | 172,791 | 10,285,470 |
| Additions | | - | 3,404 | 41,754 | 1,245 | 4,959 | 21,476 | 127,006 | 199,844 |
| Reclassification | | - | 8,091 | 201,343 | 3,963 | 582 | 48,265 | (163,649) | 98,595 |
| Disposals | | - | (18,725) | (83,967) | (940) | (7,476) | (2,676) | - | (113,784) |
| Effect of exchange rates changes | | (496) | (42,929) | (44,448) | (1,072) | (2,000) | (13,391) | (2,326) | (106,662) |
| Balance as of June 30, 2016 | \$ | 1,187,947 | 3,592,407 | 4,126,710 | 95,050 | 208,439 | 1,019,088 | 133,822 | 10,363,463 |
| Depreciation: | | | | | | | | | |
| Balance at January 1, 2017 | \$ | - | 966,077 | 2,546,619 | 56,866 | 153,937 | 582,145 | - | 4,305,644 |
| Depreciation | | - | 71,814 | 229,492 | 5,845 | 8,985 | 69,608 | - | 385,744 |
| Disposals | | - | (62,105) | (90,803) | (4,280) | (11,617) | (12,882) | - | (181,687) |
| Reclassification | | - | - | (3,638) | - | - | 1,065 | - | (2,573) |
| Reclassification as held to sale | | - | - | - | (1,047) | - | - | - | (1,047) |
| Effect of exchange rates changes | | - | (28,142) | (80,372) | (1,800) | (3,765) | (24,863) | - | (138,942) |
| Balance as of June 30, 2017 | \$ | - | 947,644 | 2,601,298 | 55,584 | 147,540 | 615,073 | - | 4,367,139 |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
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| | <u>Land</u> | <u>Buildings</u> | <u>Machinery and equipment</u> | <u>Transportation equipment</u> | <u>Office equipment</u> | <u>Miscellaneous equipment</u> | <u>Construction in progress</u> | <u>Total</u> |
|----------------------------------|---------------------|------------------|--|-------------------------------------|-----------------------------|------------------------------------|-------------------------------------|------------------|
| Balance at January 1, 2016 | \$ - | 836,236 | 2,222,937 | 47,520 | 143,376 | 444,354 | - | 3,694,423 |
| Depreciation | - | 77,867 | 232,240 | 6,240 | 10,319 | 76,930 | - | 403,596 |
| Disposals | - | (12,331) | (71,150) | (940) | (6,335) | (2,395) | - | (93,151) |
| Effect of exchange rates changes | - | (8,770) | (23,004) | (545) | (1,302) | (6,548) | - | (40,169) |
| Balance as of June 30, 2016 | <u>\$ -</u> | <u>893,002</u> | <u>2,361,023</u> | <u>52,275</u> | <u>146,058</u> | <u>512,341</u> | <u>-</u> | <u>3,964,699</u> |
| Carrying amounts: | | | | | | | | |
| Balance as of January 1, 2017 | <u>\$ 1,187,924</u> | <u>2,656,992</u> | <u>1,723,043</u> | <u>37,816</u> | <u>61,381</u> | <u>479,556</u> | <u>270,104</u> | <u>6,416,816</u> |
| Balance as of June 30, 2017 | <u>\$ 1,186,272</u> | <u>2,420,817</u> | <u>1,685,515</u> | <u>39,743</u> | <u>51,733</u> | <u>422,556</u> | <u>459,781</u> | <u>6,266,417</u> |
| Balance at January 1, 2016 | <u>\$ 1,188,443</u> | <u>2,806,330</u> | <u>1,789,091</u> | <u>44,334</u> | <u>68,998</u> | <u>521,060</u> | <u>172,791</u> | <u>6,591,047</u> |
| Balance as of June 30, 2016 | <u>\$ 1,187,947</u> | <u>2,699,405</u> | <u>1,765,687</u> | <u>42,775</u> | <u>62,381</u> | <u>506,747</u> | <u>133,822</u> | <u>6,398,764</u> |

The property, plant and equipment are not pledged or mortgaged as collateral for loans as of June 30, 2017, December 31, 2016 and June 30, 2016.

(f) Other current or noncurrent assets

Current:

| | <u>June 30, 2017</u> | <u>December 31, 2016</u> | <u>June 30, 2016</u> |
|------------------------|--------------------------|------------------------------|--------------------------|
| Tax refund receivables | \$ 79,667 | 99,839 | 77,630 |
| Payment in advance | 73,876 | 53,030 | 76,195 |
| Prepaid expense | 40,661 | 43,101 | 26,315 |
| Prepaid sales tax | 117,375 | 86,566 | 200,901 |
| Other financial assets | 3,050 | 2,000 | - |
| Others | <u>18,903</u> | <u>25,452</u> | <u>34,465</u> |
| | <u>\$ 333,532</u> | <u>309,988</u> | <u>415,506</u> |

Noncurrent:

| | <u>June 30, 2017</u> | <u>December 31, 2016</u> | <u>June 30, 2016</u> |
|---------------------------|--------------------------|------------------------------|--------------------------|
| Prepayments for equipment | \$ 100,125 | 37,641 | 143,838 |
| Long-term prepaid rents | 367,662 | 393,402 | 249,147 |
| Refundable deposits | <u>8,332</u> | <u>6,280</u> | <u>7,827</u> |
| | <u>\$ 476,119</u> | <u>437,323</u> | <u>400,812</u> |

Long-term prepaid rents are the land use right contract for constructing factories and dorms. The contracts were signed among the Group, bureau of state land and resources of China and local authorities of Vietnam.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(g) Short-term borrowings

Details of short-term borrowings of the Group were as follows:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|-------------------------|--------------------------|------------------------------|--------------------------|
| Unsecured bank loans | <u>\$ 1,786,263</u> | <u>1,509,622</u> | <u>1,852,456</u> |
| Unused quota | <u>\$ 4,039,737</u> | <u>5,213,379</u> | <u>4,407,389</u> |
| Range of interest rates | <u>1.28%~1.95%</u> | <u>1.28%~1.90%</u> | <u>1.20%~1.65%</u> |

None of the Group's assets were pledged as collaterals to secure bank loans.

(h) Long-term borrowings

Details of long-term borrowings of the Group were as follows:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|--------------------------------|--------------------------|------------------------------|--------------------------|
| Unsecured bank loans | \$ - | 97,673 | 131,542 |
| Less: Maturing within one year | - | (66,693) | (66,745) |
| Total | <u>\$ -</u> | <u>30,980</u> | <u>64,797</u> |
| Unused quota | <u>\$ -</u> | <u>-</u> | <u>121,354</u> |
| Range of interest rates | <u>-</u> | <u>2.00%~2.20%</u> | <u>2.00%~2.20%</u> |

None of the Group's assets were pledged as collaterals to secure bank loans.

(i) Employee Benefits

(i) Defined benefit plan

Subsequent to December 31, 2016 there was no apparent evidence of any material market volatility, material curtailment, reimbursement and settlement, or other material one-time events. Therefore, pension costs in the interim consolidated financial statements was measured and disclosed according to the respective actuarial report for the years ended December 31, 2016 and 2015.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|---------------------------|--|--------------|--|--------------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating cost | \$ 603 | 340 | 1,216 | 828 |
| Selling expense | 59 | 495 | 115 | 919 |
| Administrative expense | 236 | 458 | 467 | 848 |
| R&D expense | - | 57 | - | 107 |
| | \$ 898 | 1,350 | 1,798 | 2,702 |

(ii) Defined contribution plan

The pension costs that were contributed to Bureau of Labor Insurance or local relevant authorities were as follows:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|---------------------------|--|---------------|--|---------------|
| | 2017 | 2016 | 2017 | 2016 |
| Operating cost | \$ 11,668 | 14,144 | 23,817 | 29,249 |
| Selling expense | 4,137 | 4,249 | 8,448 | 8,382 |
| Administrative expense | 3,620 | 3,414 | 7,074 | 6,637 |
| R&D expense | 349 | 326 | 704 | 628 |
| | \$ 19,774 | 22,133 | 40,043 | 44,896 |

(j) Income Tax

(i) The details of income tax expense were as follows:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|---------------------|--|----------------|--|----------------|
| | 2017 | 2016 | 2017 | 2016 |
| Current tax expense | \$ 224,712 | 291,062 | 297,712 | 439,127 |

(ii) Income tax approved

The Company's income tax returns through 2015 have been examined by the R.O.C. tax authority.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(iii) Integrated income tax information:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|--|----------------------------|------------------------------|--------------------------|
| Unappropriated earnings in 1997 and prior years | \$ 430 | 430 | 430 |
| Unappropriated earnings in 1998 and thereafter | <u>4,651,579</u> | <u>6,834,611</u> | <u>4,644,498</u> |
| | <u>\$ 4,652,009</u> | <u>6,835,041</u> | <u>4,644,928</u> |
| Imputation credit account | <u>\$ 1,598,289</u> | <u>1,157,935</u> | <u>1,362,128</u> |
| | | 2016 | 2015 |
| | | (Estimated) | (Actual) |
| Tax deduction ratio for earnings distribution to ROC residents | | <u>23.39 %</u> | <u>22.65 %</u> |

Under the integrated income tax system, the above imputation credit account and creditable ratio were prepared in accordance with Ruling No.10204562810 issued by the Ministry of Finance, R.O.C. on October 17, 2013.

The Legislative Yuan of the Republic of China approved the amendment of Income Tax Law on May 16, 2014, and the Ministry of Finance announced the amendment of Income Tax Law revises Article 66-6 on June 4, 2014. Commencing from January 1, 2015, the creditable ratio for individual shareholders residing in the Republic of China will be half of the original creditable ratio. The creditable ratios for earnings distribution to R.O.C residents in 2016 and 2015 were adjusted to 11.70% (estimated) and 11.33% (actual) in 2017 and 2016, respectively.

(k) Stockholders' equity

Except for those described below, there was no material change in equity for the six-month periods ended June 30, 2017 and 2016. Please refer to Note 6(j) of the consolidated financial statements for the year ended December 31, 2016 for other relevant disclosures of equity.

(i) Common stock

On June 16, 2017, the shareholders' meeting approved the capital increase of 5,380 thousand shares out of earnings amounting to \$53,797 thousand dollars with the par value of \$10 per share. The date of capital increase is estimated to be on July 31, 2017.

On November 5, 2015, the board of directors of the Company approved a resolution to issue 8,000 thousand shares' common stocks by cash, with the par value \$10 per share, and on December 29, 2015, the board of directors of the Company approved the issuance price of \$320 per share. The date of the capital increase was February 25, 2016. The issuance was according to Article 1040046754 approved by FSC respectively on November 27, 2015. All issued shares were paid up upon issuance and reported under equity.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(ii) Capital Surplus

The components of capital surplus were as follows:

| | <u>June 30,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> | <u>June 30,</u> <u>2016</u> |
|--|--------------------------------|------------------------------------|--------------------------------|
| Paid-in capital in excess of par value | \$ 3,550,000 | 3,550,000 | 3,550,000 |
| Treasury stock transactions | 396 | 396 | 396 |
| Unpaid compensation to directors and supervisors | 1,377 | 1,377 | 1,377 |
| Net assets from merger with Everbright Garment | 15,866 | 15,866 | 15,866 |
| Unpaid dividend payables | 3 | 3 | 3 |
| Employee stock options | <u>201,795</u> | <u>201,795</u> | <u>201,795</u> |
| | <u>\$ 3,769,437</u> | <u>3,769,437</u> | <u>3,769,437</u> |

(iii) Retained earnings

According to the Company's articles of incorporation, 10% of annual net earnings (net of income taxes), after deducting accumulated deficits, must be set aside as legal reserve. The remaining portion is to be distributed upon a proposal by the board of directors and approval in an annual shareholders' meeting.

The Company is now in the growth stage and has a plan to expand the product line. Due to the need for capital to fulfill the plan, the policy for dividend distribution should reflect factors such as investment planning, financial structure, future fund requirements, and status of earnings. The board of directors shall make the distribution proposal, and it is then approved at the shareholders' meeting. The ratio for distributing cash dividends shall not be lower than 20% of the total distribution.

1) Earnings appropriation and distribution

The appropriations of 2016 and 2015 earnings were approved in the stockholders' meeting on June 16, 2017 and June 21, 2016, respectively. The amounts of appropriation of dividends per share were as follows:

| | <u>For the years ended December 31</u> | | | |
|---|--|---------------------|-----------------------|------------------|
| | <u>2016</u> | | <u>2015</u> | |
| | <u>rates(dollars)</u> | <u>amount</u> | <u>rates(dollars)</u> | <u>amount</u> |
| Dividends distributed to common stock shareholders: | | | | |
| Cash | \$ 10.50 | 2,824,367 | 10.50 | 2,824,367 |
| Stock | 0.20 | <u>53,797</u> | - | <u>-</u> |
| Total | | <u>\$ 2,878,164</u> | | <u>2,824,367</u> |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

As mentioned above, please browse through the relative information approved during the board of directors' and shareholder's meeting on M.O.P.S.

(iv) Other equity (net of tax)

| | Financial statements translation differences from foreign operations |
|--|---|
| Balance, January 1, 2017 | \$ 154,392 |
| Financial statements translation differences from foreign operations | (226,061) |
| Balance, June 30, 2017 | \$ (71,669) |
| Balance, January 1, 2016 | \$ 212,450 |
| Financial statements translation differences from foreign operations | (64,425) |
| Balance, June 30, 2016 | \$ 148,025 |

(l) Earnings per share

The earnings per share were calculated as follows:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|--|--|----------------|--|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Basic earnings per share | | | | |
| Net income attributable to common stockholders | \$ 789,861 | 801,053 | 1,061,084 | 1,454,183 |
| Weighted average number of ordinary shares outstanding(in thousands) | 268,987 | 268,987 | 268,987 | 266,570 |
| Basic earnings per share (in dollars) | \$ 2.94 | 2.98 | 3.94 | 5.46 |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|--|--|----------------|--|------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Diluted earnings per share | | | | |
| Net income attributable to common stockholders | \$ <u>789,861</u> | <u>801,053</u> | <u>1,061,084</u> | <u>1,454,183</u> |
| Weighted average number of ordinary shares outstanding (in thousands)(basic) | 268,987 | 268,987 | 268,987 | 266,570 |
| Effect on employee bonuses | <u>8</u> | <u>6</u> | <u>8</u> | <u>6</u> |
| Weighted average number of ordinary shares outstanding (in thousands)(diluted) | \$ <u>268,995</u> | <u>268,993</u> | <u>268,995</u> | <u>266,576</u> |
| Diluted earnings per share(in dollars) | \$ <u>2.94</u> | <u>2.98</u> | <u>3.94</u> | <u>5.46</u> |

The shareholders' meeting approved the issuance of stock dividend on June 16th, 2017. The date of the capital increase was July 31, 2017. If the stock dividend is distributed before the approval date of the financial statements, the earnings per share shall be retroactively adjusted as follows:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|--|--|-------------|--|-------------|
| | 2017 | 2016 | 2017 | 2016 |
| Basic earnings per share (in dollars) | \$ <u>2.88</u> | <u>2.92</u> | <u>3.87</u> | <u>5.35</u> |
| Diluted earnings per share(in dollars) | \$ <u>2.88</u> | <u>2.92</u> | <u>3.87</u> | <u>5.35</u> |

(m) Operating revenues

The details of the Group's revenue were as follows:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|----------------------|--|------------------|--|-------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Sales of merchandise | \$ <u>5,943,473</u> | <u>5,827,631</u> | <u>11,089,230</u> | <u>11,418,102</u> |

(n) Employee bonus

The Company's articles of incorporation require that earnings shall first be offset against any deficit, then, a minimum of 0.1% will be distributed as employee profit sharing bonus which is to be decided upon a proposal by the board of directors, and reported to the shareholders' meeting. Qualified employees are entitled to stock and cash distribution of the Company.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

For the six-month periods ended June 30, 2017 and 2016, the employee profit sharing bonus was calculated based on the Company's income (excluding tax, as well as employee profit sharing bonus) and earnings allocation percentage as stated under the Company's articles of incorporation. We did not estimate the liabilities due to the minor estimated expense for the six-month periods ended June 30, 2017 and 2016. The differences between the amounts approved in the shareholders' meeting and those recognized in the consolidated financial statements, if any, are accounted for as a change in accounting estimate and recognized as profit or loss in the following year.

The Company recognized its employee profit sharing bonus amounting to \$6,000 thousand for the year ended December 31, 2016 and 2015, which were the same as the amount approved to be distributed as employee profit sharing bonus by the board of directors. Additional related information can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

(o) Results from non-operating activities

(i) Other incomes

The Group's other income were as follows:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|------------------------------|--|---------------------|--|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Interest income-bank deposit | \$ 36,072 | 7,398 | 49,751 | 10,310 |
| Other | 752 | 660 | 1,454 | 1,320 |
| | <u>\$ 36,824</u> | <u>8,058</u> | <u>51,205</u> | <u>11,630</u> |

(ii) Other gains and losses, net

The Group's other gains and losses were as follows:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|--|--|----------------------|--|------------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Foreign exchange gain (loss) | \$ 22,654 | 31,726 | (432,387) | (89,346) |
| Gain (loss) on disposal of property, plant | 2,347 | (7,557) | 964 | (15,980) |
| Others | (1,224) | 11,565 | 7,774 | 10,165 |
| | <u>\$ 23,777</u> | <u>35,734</u> | <u>(423,649)</u> | <u>(95,161)</u> |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(iii) Financial costs

The details of financial costs were as follows:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|-----------------|--|---------------------|--|----------------------|
| | 2017 | 2016 | 2017 | 2016 |
| Bank borrowings | \$ 7,278 | 7,671 | 13,277 | 15,629 |
| Others | - | 193 | 3 | 233 |
| | <u>\$ 7,278</u> | <u>7,864</u> | <u>13,280</u> | <u>15,862</u> |

(p) Financial Instruments

Except for the following, there were no significant changes in the fair value of the Group's financial instruments and the exposure to credit risks and liquidity risks. Please refer to Note 6(p) of the consolidated financial statements for the year ended December 31, 2016.

(i) Market risk

1) Exposure to foreign currency risk

The Group's significant exposure to foreign currency risk was as follows:

| | June 30, 2017 | | | December 31, 2016 | | | June 30, 2016 | | |
|------------------------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|-----------------------------|--------------------------|------------|
| | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD | Foreign currency | Exchange rate | NTD |
| <u>Financial assets</u> | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD | \$ 281,973 | 30.42 | 8,577,619 | 280,952 | 32.25 | 9,060,702 | 312,701 | 32.275 | 10,092,425 |
| <u>Financial liabilities</u> | | | | | | | | | |
| <u>Monetary items</u> | | | | | | | | | |
| USD | 33,711 | 30.42 | 1,025,489 | 27,735 | 32.25 | 894,454 | 85,807 | 32.275 | 2,769,421 |

2) Sensitivity analysis

The Group's exposure to foreign currency risk arises from the translation of the foreign currency exchange gains and losses on cash and cash equivalents, accounts receivable, borrowings and accounts payable. A 1% depreciation or appreciation of the NTD against the USD as of June 30, 2017 and 2016 would have increased or decreased the net income before tax by \$75,521 thousand and \$73,230 thousand respectively. The analysis assumes that all other variables remain constant and ignores any impact of forecasted sales and purchases. The analysis is based on the same basis.

3) Foreign currency gain or loss on monetary items

The realized and unrealized exchange loss amounted to \$432,387 thousand and \$89,436 thousand, at the average rates of 30.675 and 32.784 for the year ended June 30, 2017 and 2016, respectively.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(ii) Interest rate analysis

The Group's exposure to interest rate risk arising from financial assets and liabilities is described in the liquidity risk part of this note.

The following sensitivity analysis is determined through the exposure to interest rate risk of derivative and non-derivative instruments on the reporting date. For floating rate liabilities, the analysis assumes that the balances of outstanding liabilities on the reporting date have been outstanding for the whole period, and their rational change intervals are being estimated. If the interest rate increases/decreases by 1%, representing the reasonable interest rates changes made by management.

If the interest rate increases/decreases by 1 basis point, the Group's net income will increase/decrease by \$4,920 thousand and \$19,840 thousand for the six-month periods ended June 30, 2017 and 2016, respectively, with all other variable factors that remain constant. This is mainly due to the Group's borrowings in variable rates.

(iii) Fair value

The Group's management considers its financial assets and financial liabilities measured at amortized cost to be the approximation of the fair value.

(q) Financial risk management

The policies and the objectives of the financial risk management are consistent with those disclosed in Note 6(q) of the consolidated financial statements for the year ended December 31, 2016.

(r) Capital Management

The objectives, policies, and procedures are the same as those stated in the consolidated financial statements for the year ended December 31, 2016. There was no material change on quantitative data of the capital management. For relevant information, please refer to Note 6(r) of the consolidated statement for the year ended December 31, 2016.

(7) Related-party transactions:

(a) Material transactions among related parties

(i) Guarantees and endorsements

The Company guarantees and endorsements for related parties were as follows:

| <u>Types of related parties</u> | <u>June 30,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> | <u>June 30,</u> <u>2016</u> |
|---------------------------------|--------------------------------|------------------------------------|--------------------------------|
| Subsidiaries | <u>\$ 1,606,784</u> | <u>1,667,648</u> | <u>1,736,395</u> |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(b) Key management personnel transactions

(i) Key management personnel compensation comprised:

| | For the three-month periods ended June 30 | | For the six-month periods ended June 30 | |
|------------------------------|--|--------|--|--------|
| | 2017 | 2016 | 2017 | 2016 |
| Short-term employee benefits | \$ 6,448 | 10,918 | 72,819 | 84,414 |

(ii) Cars provided to key management personnel:

| | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|------------|------------------|----------------------|------------------|
| Cost | \$ 26,484 | 19,089 | 19,089 |
| Numbers | 7 | 4 | 4 |
| Book value | \$ 11,065 | 5,510 | 7,090 |

(8) Pledged assets:

The Group's pledged assets are as follows:

| Pledged assets | Pledged to secure | June 30, 2017 | December 31, 2016 | June 30, 2016 |
|------------------------|------------------------------|------------------|----------------------|------------------|
| Other financial assets | Natural gas security deposit | | | |
| - current | | \$ 3,050 | 2,000 | - |

(9) Commitments and contingencies:

As of June 30, 2017, the balance of unused letters of credit of the Group amounted to \$205,869 thousand.

(10) Losses due to major disasters:None.

(11) Subsequent events:None.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

(12) Other:

- (a) The Group's employee benefits, depreciation and amortization expenses, categorized by function, were as follows:

| | For the three-month periods ended June 30, 2017 | | | For the three-month periods ended June 30, 2016 | | |
|----------------------------|--|--------------------|---------|--|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salaries | 469,614 | 263,563 | 733,177 | 441,286 | 263,926 | 705,212 |
| Labor and Health insurance | 39,249 | 16,703 | 55,952 | 41,161 | 16,903 | 58,064 |
| Pension | 12,271 | 8,401 | 20,672 | 14,484 | 8,999 | 23,483 |
| Others | 33,795 | 12,338 | 46,133 | 37,578 | 14,286 | 51,864 |
| Depreciation | 159,136 | 33,126 | 192,262 | 160,588 | 40,880 | 201,468 |
| Amortization | 467 | 3,296 | 3,763 | 335 | 2,034 | 2,369 |

| | For the six-month periods ended June 30, 2017 | | | For the six-month periods ended June 30, 2016 | | |
|----------------------------|--|--------------------|-----------|--|--------------------|-----------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salaries | 905,449 | 536,893 | 1,442,342 | 880,473 | 505,219 | 1,385,692 |
| Labor and health insurance | 79,429 | 34,502 | 113,931 | 84,106 | 33,249 | 117,355 |
| Pension | 25,033 | 16,808 | 41,841 | 30,077 | 17,521 | 47,598 |
| Others | 63,502 | 24,671 | 88,173 | 75,942 | 28,904 | 104,846 |
| Depreciation | 323,151 | 62,593 | 385,744 | 332,159 | 71,437 | 403,596 |
| Amortization | 1,001 | 6,504 | 7,505 | 5,105 | 3,544 | 8,649 |

- (b) Seasonality of operation:

The operation of the Group is not having material influence by seasonality and periodicity.

- (c) Discontinued operations:

The Group's board of directors approved Unison's dissolution on December 7, 2016, and launched its liquidation procedure in 2017. Since Unison was neither a discontinued operation nor non-current assets held for sale for the period ended June 30, 2016, the Group had to restate the consolidated interim financial statement of comprehensive income to present the operating results of continued operation and discontinued operation separately for the comparable period.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Interim Financial Statements

The operating results and cash flow of discontinued operation were as follows:

| | For the three-month periods ended | | For the six-month periods ended | |
|--|--|-----------------|--|-----------------|
| | June 30 | | June 30 | |
| | 2017 | 2016 | 2017 | 2016 |
| Results of discontinued operations: | | | | |
| Operating revenue | \$ - | 24,644 | - | 67,104 |
| Operating costs | - | (30,786) | - | (73,401) |
| Gross profit(loss) | - | (6,142) | - | (6,297) |
| Operating expenses | (26,390) | (8,159) | (31,700) | (16,932) |
| Net loss | (26,390) | (14,301) | (31,700) | (23,229) |
| Non-operating income and expense | 22,827 | (2,720) | 14,355 | (2,055) |
| Loss from discontinued operations, net of tax | <u>\$ (3,563)</u> | <u>(17,021)</u> | <u>(17,345)</u> | <u>(25,284)</u> |
| Basic earnings per share | <u>\$ (0.01)</u> | <u>(0.06)</u> | <u>(0.07)</u> | <u>(0.09)</u> |
| Diluted earnings per share | <u>\$ (0.01)</u> | <u>(0.06)</u> | <u>(0.07)</u> | <u>(0.09)</u> |
| Cash flow of discontinued operations | | | | |
| Net cash flows from (used in) operating activities | \$ (126,909) | (9,289) | (59,718) | 1,298 |
| Net cash flows from investing activities | 65,362 | - | 65,362 | - |
| Total cash (outflow) inflow | <u>\$ (61,547)</u> | <u>(9,289)</u> | <u>5,644</u> | <u>1,298</u> |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

The following was the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Fund financing to other parties:

(In thousands of NTD / USD)

| Number | Name of lender | Name of borrower | Account name | Related party | Highest balance of financing to other parties during the period | Ending balance | Actual usage amount during the period | Range of interest rates during the period | Purposes of fund financing for the borrower | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Individual funding loan limits | Maximum limit of fund financing | Note |
|--------|----------------|--------------------------|-------------------|---------------|---|---------------------|---------------------------------------|---|---|---|----------------------------------|------------------------|------------|-------|--------------------------------|---------------------------------|-------|
| | | | | | | | | | | | | | Item | Value | | | |
| 01 | Aegis | Eclat Vietnam | Other receivables | Yes | 32,250 (USD 1,000) | - | - | - | 2 | - | Operating capital | - | - | - | 42,399 (Note) | 47,699 (Note) | Note5 |
| 01 | Aegis | Colltex | Other receivables | Yes | 31,345 (USD 1,000) | 30,420 (USD 1,000) | - | - | 2 | - | Operating capital | - | - | - | 42,399 (Note) | 47,699 (Note) | Note5 |
| 01 | Aegis | E-TOP (VN) | Other receivables | Yes | 15,673 (USD 500) | 15,210 (USD 500) | - | - | 2 | - | Operating capital | - | - | - | 42,399 (Note) | 47,699 (Note) | Note5 |
| 02 | Grand Elite | Miaw Shun (Cambodia) | Other receivables | No | 32,250 (USD 1,000) | - | - | - | 2 | - | Operating capital | - | - | - | - | - | Note5 |
| 03 | Eclat Cayman | Fabrics | Other receivables | Yes | 387,000 (USD12,000) | 365,040 (USD12,000) | 273,780 (USD9,000) | 1.5%~ 1.6% | 2 | - | Operating capital | - | - | - | 2,895,829 (Note2) | 3,257,807 (Note2) | Note5 |
| 03 | Eclat Cayman | Eclat Vietnam | Other receivables | Yes | 32,250 (USD1,000) | 30,420 (USD1,000) | - | - | 2 | - | Operating capital | - | - | - | 2,895,829 (Note2) | 3,257,807 (Note2) | Note5 |
| 03 | Eclat Cayman | Colltex | Other receivables | Yes | 258,000 (USD8,000) | 212,940 (USD7,000) | - | - | 2 | - | Operating capital | - | - | - | 2,895,829 (Note2) | 3,257,807 (Note2) | Note5 |
| 03 | Eclat Cayman | E-TOP (VN) | Other receivables | Yes | 322,500 (USD10,000) | 258,570 (USD8,500) | - | - | 2 | - | Operating capital | - | - | - | 2,895,829 (Note2) | 3,257,807 (Note2) | Note5 |
| 03 | Eclat Cayman | Eclat Textile (Cambodia) | Other receivables | Yes | 214,713 (USD6,850) | 208,377 (USD6,850) | 152,100 (USD5,000) | 1.5%~ 1.6% | 2 | - | Operating capital | - | - | - | 2,895,829 (Note2) | 3,257,807 (Note2) | Note5 |
| 03 | Eclat Cayman | Eclat Enterprise | Other receivables | Yes | 32,250 (USD1,000) | 30,420 (USD1,000) | 19,773 (USD650) | 1.5% | 2 | - | Operating capital | - | - | - | 2,895,829 (Note2) | 3,257,807 (Note2) | Note5 |
| 03 | Eclat Cayman | Miaw Shun (Cambodia) | Other receivables | No | 64,500 (USD2,000) | - | - | - | 2 | - | Operating capital | - | - | - | - | - | Note5 |
| 03 | Eclat Cayman | TAI- YUAN (VN) | Other receivables | Yes | 203,743 (USD6,500) | 197,730 (USD6,500) | 136,890 (USD4,000) | 1.5%~ 1.6% | 2 | - | Operating capital | - | - | - | 2,895,829 (Note2) | 3,257,807 (Note2) | Note5 |
| 03 | Eclat Cayman | Unison | Other receivables | Yes | 112,875 (USD3,500) | 106,470 (USD3,500) | - | - | 2 | - | Operating capital | - | - | - | 2,895,829 (Note2) | 3,257,807 (Note2) | Note5 |

Note: The total lending amount of Aegis is not exceeding 90% of its net value of financial statements; separately lending not exceed 80% of its net value of financial statements.

Note 1: BOD had approved to cancel Grand Elite and Eclat Cayman lending to Miaw Shun (Cambodia) on February 14, 2017, so there were no fund financing limits.

Note 2: The total lending amount of Eclat Cayman is not exceeding 90% of its net value of financial statements; separately lending amount is not exceeding 80% of its net value of financial statements.

Note 3: Approved by BOD.

Note 4: Way of nature of lending: 1 for counterparties and 2 for short-term financing.

Note 5: The exchange rate as of June 30, 2017 is USD 1 to NTD 30.42.

(ii) Guarantees and endorsements for other parties:

(In thousands of NTD / USD)

| No. | Name of guarantor | Counter-party of guarantee and endorsement | | Limitation on amount of guarantees and endorsements for a specific enterprise | Highest balance for guarantees and endorsements during the period | Balance of guarantees and endorsements as of reporting date | Actual usage amount during the period | Property pledged for guarantees and endorsements (Amount) | Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements | Maximum amount for guarantees and endorsements | Parent company endorsements/ guarantees to third parties on behalf of subsidiary | Subsidiary endorsements/ guarantees to third parties on behalf of parent company | Endorsements/ guarantees to third parties on behalf of companies in Mainland China |
|-----|-------------------|--|-------------------------------|---|---|---|---------------------------------------|---|---|--|--|--|--|
| | | Name | Relationship with the Company | | | | | | | | | | |
| 00 | The Company | Eclat Cayman | 2 | 3,932,057 | 1,564,125 (USD48,500) | 1,475,370 | 501,930 | - | 11.26 % | 6,553,428 | Y | N | N |
| 00 | The Company | Grand Elite | 2 | 3,932,057 | 209,625 (USD6,500) | 197,730 | - | - | 1.51 % | 6,553,428 | Y | N | N |

Note 1: Guarantees amount to single entity not exceeding 30% of its net value of financial statements.

Note 2: Total guarantees amount not exceeding 50% of its net value of financial statements.

Note 3: There are two conditions in which the Company may have guarantees or endorsements for other parties as follows:

1. Counterparties.

2. Subsidiaries held more than 50%.

Note 4: The exchange rate as of June 30, 2017 is USD 1 to NTD 30.42.

(iii) Securities held as of June 30, 2017 (excluding investment in subsidiaries, associates and joint ventures):None.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock:None
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock:None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of New Taiwan Dollars)

| Name of company | Related party | Nature of relationship | Transaction details | | | | Transactions with terms different from others | | Notes/Accounts receivable (payable) | | Note |
|-----------------|---------------|------------------------------|---------------------|-----------|-------------------------------------|---------------|---|---------------|-------------------------------------|---|---------|
| | | | Purchase/(Sale) | Amount | Percentage of total purchases/sales | Payment terms | Unit price | Payment terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Eclat Vietnam | Indirectly held subsidiaries | processing | 729,575 | 24.50% (Note) | 30 days | (Note2) | (Note2) | Account payable (174,037) | (9.05)% | (Note1) |
| Eclat Vietnam | The Company | Parent company | (sales) | (729,575) | (99.93)% | 30 days | (Note2) | (Note2) | Account receivable 174,037 | 100.00% | (Note1) |
| The Company | Fabrics | Indirectly held subsidiaries | processing | 727,225 | 14.34% (Note) | 30 days | (Note2) | (Note2) | Account payable (66,849) | (3.48)% | (Note1) |
| Fabrics | The Company | Parent company | (sales) | (727,225) | (98.49)% | 30 days | (Note 2) | (Note 2) | Account receivable 66,849 | 97.05% | (Note1) |
| The Company | E-TOP (VN) | Indirectly held subsidiaries | processing | 219,873 | 7.38% (Note) | 30 days | (Note2) | (Note2) | Account payable (10,655) | (0.55)% | (Note1) |
| E-TOP (VN) | The Company | Parent company | (sales) | (219,873) | (96.79)% | 30 days | (Note2) | (Note2) | Account receivable 10,655 | 94.93% | (Note1) |
| The Company | Colltex | Indirectly held subsidiaries | processing | 254,884 | 8.56% (Note) | 30 days | (Note2) | (Note2) | Account payable (41,469) | (2.16)% | (Note1) |
| Colltex | The Company | Parent company | (sales) | (254,884) | (98.37)% | 30 days | (Note 2) | (Note2) | Account receivable 41,469 | 100.00% | (Note1) |

Note: Percentage on processing expense.

Note 1: Transactions listed above have been eliminated during preparing consolidated interim financial statements.

Note 2: The same as general processing / purchasing / sales.

- (viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

(In thousands of NTD / USD)

| Name of company | Counter-party | Nature of relationship | Ending balance | Turnover rate | Overdue | | Amounts received in subsequent period | Allowance for bad debts | Note |
|-----------------|--------------------------|------------------------|--------------------|---------------|---------|--------------|---------------------------------------|-------------------------|---------|
| | | | | | Amount | Action taken | | | |
| Eclat Cayman | Fabrics | Subsidiary | 273,780 (USD9,000) | (Note) | - | | - | - | (Note1) |
| Eclat Cayman | TAI-YUAN (VN) | Subsidiary | 136,890 (USD4,500) | (Note) | - | | - | - | (Note1) |
| Eclat Cayman | Eclat Textile (Cambodia) | Investee company | 152,100 (USD5,000) | (Note) | - | | - | - | (Note1) |
| Eclat Vietnam | The Company | Investee company | 174,037 (USD5,721) | 11.06% | - | | - | - | (Note1) |

Note: The ending balance primarily consisted of receivables from related parties, which is not applicable for the calculation of turnover.

Note 1: Transactions listed above have been eliminated during preparing consolidated financial statements.

Note 2: The exchange rate as of June 30, 2017 is USD 1 to NTD 30.42.

- (ix) Trading in derivative instruments:None.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
Notes to Consolidated Financial Statements

(x) Business relationships and significant intercompany transactions:

(In thousands of New Taiwan Dollars)

| No. | Name of company | Name of counter-party | Nature of relationship | Intercompany transactions | | | |
|-----|-----------------|-----------------------|------------------------|---------------------------|---------|--------------------------------|--|
| | | | | Account name | Amount | Trading terms | Percentage of the consolidated net revenue or total assets |
| 1 | Fabrics | The Company | 2 | Sales | 727,225 | The same as general sales | 6.56% |
| 2 | E-TOP(VN) | The Company | 2 | Processing revenue | 219,873 | The same as general processing | 1.98% |
| 3 | Eclat Vietnam | The Company | 2 | Processing revenue | 729,575 | The same as general processing | 6.58% |
| 4 | Colltex | The Company | 2 | Processing revenue | 254,884 | The same as general processing | 2.30% |
| 5 | Eclat Cayman | Fabrics | 3 | Other receivables | 273,780 | - | 1.31% |

Note 1: Numbers are filled in as follows:

1. 0 represents the parent company.
2. Subsidiaries are numbered from 1.

Note 2: Classification of relation with counterparty is listed as follows:

1. Parent to subsidiary.
2. Subsidiary to parent.
3. Between subsidiaries.

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2017 (excluding information on investees in Mainland China):

(In thousands of NTD / USD)

| Name of investor | Name of investee | Location | Main businesses and products | Original investment amount | | Balance as of June 30, 2017 | | | Net income (losses) of investee | Share of profits/losses of investee | Note |
|------------------|-------------------------------|------------------------|--|---------------------------------------|---------------------------------------|-----------------------------|-------------------------|----------------|---------------------------------|-------------------------------------|--|
| | | | | June 30, 2017 | December 31, 2016 | Shares (thousands) | Percentage of ownership | Carrying value | | | |
| The Company | Best | Taiwan | Computer equipment installation, software retailing and international commerce | 8,739 | 8,739 | 881 | 44.05 % | 15,564 | 2,564 | 1,130 | Investee company under equity method |
| The Company | Grand Elite | British Virgin Islands | Investments in securities, real estate, and manufacturing industry | 403,155 (USD14,069) (Note 3) | 391,384 (USD13,699) (Note 3) | 35 | 100.00 % | 36,211 | (52,921) | (52,921) | Subsidiaries (Note1) |
| The Company | Eclat Cayman | Cayman Islands | Investments in securities, real estate, and manufacturing industry | 3,847,841 (USD127,435) (Note 3) | 3,847,841 (USD127,435) (Note 3) | 127,435 | 100.00 % | 3,599,286 | (49,909) | (49,909) | Subsidiaries (Note1) |
| Grand Elite | Eclat Textile (Cambodia) | Cambodia | Design, manufacture, processing and sale of clothing | 243,360 (USD8,000) | 243,360 (USD8,000) | 8,000 | 100.00 % | (35,526) | (52,969) | (52,969) | Subsidiaries of Grand Elite (Note1) |
| Grand Elite | Miaw Shun (Cambodia) (Note 2) | Cambodia | Design, manufacture, processing and sale of clothing | - | 41,980 (USD1,380) | - | - % | - | - | - | Subsidiaries of Grand Elite (Note1) |
| Grand Elite | Aegis | British Virgin Islands | Garment merchandise and manufacture | 54,817 (USD1,802) | 54,817 (USD1,802) | 1,500 | 100.00 % | 52,998 | 13 | 13 | Subsidiaries of Grand Elite (Note1) |
| Eclat Cayman | Colltex | Vietnam | Design, manufacture, processing and sale of clothing | 485,351 (USD15,955) | 485,351 (USD15,955) | 16,800 | 100.00 % | 489,630 | 19,139 | 18,392 | Subsidiaries of Eclat Cayman (Note1) |
| Eclat Cayman | E-TOP(VN) | Vietnam | Design, manufacture, processing and sale of clothing | 1,095,120 (USD36,000) | 1,095,120 (USD36,000) | 36,000 | 100.00 % | 1,099,078 | 20,975 | 20,975 | Subsidiaries of Eclat Cayman (Note1) |
| Eclat Cayman | Eclat Enterprise | Cambodia | Investments in securities, real estate, and manufacturing industry | 30 (USD1) | 30 (USD1) | 1 | 100.00 % | (909) | 25 | 25 | Subsidiaries of Eclat Cayman (Note1) |
| Eclat Cayman | Eclat Vietnam | Vietnam | Design, manufacture, processing and sale of clothing | 644,022 (USD21,171) | 644,022 (USD21,171) | 22,000 | 100.00 % | 488,746 | (43,941) | (43,941) | Subsidiaries of Eclat Cayman (Note1) |
| Eclat Cayman | Fabrics | Vietnam | Knit fabric mills, printing, dyeing and finishing mill | 1,216,800 (USD40,000) | 1,216,800 (USD40,000) | 40,000 | 100.00 % | 1,501,147 | 15,990 | 19,609 | Subsidiaries of Eclat Cayman (Note1) |
| Eclat Cayman | TAI-YUAN (VN) | Vietnam | Design, manufacture, processing and sale of clothing | 210,354 (USD6,915) | 210,354 (USD6,915) | 6,800 | 100.00 % | (23,598) | (47,969) | (47,635) | Subsidiaries of Eclat Cayman (Note1) |
| Eclat Cayman | E&I Printing | Vietnam | Design, printing, dyeing and finishing mill | 18,252 (USD600) | 18,252 (USD600) | 600 | 40.00 % | 15,614 | (1,247) | (499) | Invest company under equity method (Note1) |

Note: Accumulated translation is included.

Note 1: The exchange rate as of June 30, 2017 is USD 1 to NTD 30.42; the average exchange rate for 2017 is USD 1 to NTD 30.675.

Note 2: Miaw Shun (Cambodia) was sold in January 2017, please refer to note 4(b) for related information.

Note 3: The original investment amount is calculated by historical exchange rate.

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
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(c) Information on investment in mainland China

(i) The names of investees in Mainland China, the main businesses and products, and other information:

(In thousands of NTD / USD)

| Name of investee | Main businesses and products | Total amount of paid-in capital | Method of investment | Accumulated outflow of investment from Taiwan as of January 1, 2016 | Investment flows | | Accumulated outflow of investment from Taiwan as of June 30, 2017 | Net income (losses) of the investee | Percentage of ownership | Investment income (losses) | Book value | Accumulated remittance of earnings in current period |
|------------------|--|---------------------------------|----------------------|---|------------------|--------|---|-------------------------------------|-------------------------|----------------------------|------------|--|
| | | | | | Outflow | Inflow | | | | | | |
| Unison (Note 2) | Design, manufacture, processing and sale of clothing | 171,113 (USD5,625) | (2) | 130,076 (USD4,276) | - | - | 130,076 (USD4,276) | (17,345) | 100.00% | (17,345) | (42,722) | - |

Note: There are four kinds of investments

1. Invest in mainland china by remitting through third region.
2. Reinvest in mainland china by establishing investing companies in third region.
3. Reinvest in mainland china by reinvesting in companies in third region.
4. Invest directly in Mainland China's companies.

Note1: The exchange rate as of June 30, 2017 is USD 1 to NTD 30.42; the average exchange rate for 2017 is USD 1 to NTD 30.675.

Note2: Unison has been reclassified to non-current assets held for sale, please refer to note 4(b) and 6(d).

(ii) Limitation on investment in Mainland China:

| Accumulated Investment in Mainland China as of June 30, 2017 | Investment Amounts Authorized by Investment Commission, MOEA | Upper Limit on Investment |
|--|--|---------------------------|
| 130,076 (USD 4,276 thousand) | 130,076 (USD 4,276 thousand) | 7,864,114 |

Note: The exchange rate as of June 30, 2017 is USD 1 to NTD 30.42.

(iii) Significant transactions:None

(14) Segment information:

The reconciliation of operating segments of the Group is as follows:

| | For the three months ended June 30, 2017 | | | |
|--|---|------------------|-----------------------------------|------------------|
| | Knitted | Clothing | Adjustments and eliminated | Total |
| Revenue: | | | | |
| From external clients | \$ 2,136,979 | 3,806,494 | - | 5,943,473 |
| Intersegments | 1,257,761 | 721,099 | (1,978,860) | - |
| From discontinued operations | - | - | - | - |
| Total revenue | \$ 3,394,740 | 4,527,593 | (1,978,860) | 5,943,473 |
| Income/Loss of reportable segments | \$ 368,765 | 613,973 | 35,398 | 1,018,136 |
| Income/Loss of reportable segments of discontinued operations | \$ - | (3,563) | - | (3,563) |
| | | | | |
| | For the three months ended June 30, 2016 | | | |
| | Knitted | Clothing | Adjustments and eliminated | Total |
| Revenue: | | | | |
| From external clients | \$ 2,201,760 | 3,625,871 | - | 5,827,631 |
| Intersegments | 1,058,435 | 598,338 | (1,656,773) | - |
| From discontinued operations | - | 24,644 | - | 24,644 |
| Total revenue | \$ 3,260,195 | 4,248,853 | (1,656,773) | 5,852,275 |
| Income/Loss of reportable segments | \$ 481,613 | 598,357 | 29,166 | 1,109,136 |
| Income/Loss of reportable segments of discontinued operations | \$ - | (17,021) | - | (17,021) |

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ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES
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| For the six months ended June 30, 2017 | | | | |
|--|---------------------|------------------|---|-------------------|
| | Knitted | Clothing | Adjustments and eliminated | Total |
| Revenue: | | | | |
| From external clients | \$ 3,581,000 | 7,508,230 | - | 11,089,230 |
| Intersegments | 2,129,659 | 1,370,149 | (3,499,808) | - |
| Total revenue | \$ 5,710,659 | 8,878,379 | (3,499,808) | 11,089,230 |
| Income/Loss of reportable segments | \$ 454,344 | 818,967 | 102,830 | 1,376,141 |
| Income/Loss of reportable segments of discontinued operations | \$ - | (17,345) | - | (17,345) |

| For the six months ended June 30, 2017 | | | | |
|--|---------------------|------------------|---|-------------------|
| | Knitted | Clothing | Adjustments and eliminated | Total |
| Revenue: | | | | |
| From external clients | \$ 4,085,024 | 7,333,078 | - | 11,418,102 |
| Intersegments | 1,924,885 | 1,175,643 | (3,100,528) | - |
| From discontinued operations | - | 67,104 | - | 67,104 |
| Total revenue | \$ 6,009,909 | 8,575,825 | (3,100,528) | 11,485,206 |
| Income/Loss of reportable segments | \$ 746,889 | 1,061,771 | 109,934 | 1,918,594 |
| Income/Loss of reportable segments of discontinued operations | \$ - | (25,284) | - | (25,284) |