



ECLAT TEXTILE CO., LTD.

2018 Annual Report

Notice to readers

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

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I. Letter to Shareholders

Dear Shareholders,

Overview

2018 was a successful year of Eclat. The Company achieved record high in both revenue and net income. In 2018, the global economic cycle experienced twist from high to low. In the first half of the year, the global economy was under stable growth. US market demonstrated most prominent growth and the outcome of such growth also spread to consumers to drive the consumers' purchasing power. Accordingly, all main national brands and retailers of performance sportswear in North America demonstrated strong purchasing capabilities and the business of the Company also showed synchronous growth in both value and quantity. Nevertheless, starting from the second half of 2018, due to the increasing trade conflict between China and US, the tariff barrier was increased. In addition, as US increased the interest rates quarter after quarter along with the policy of tightening of balance sheet, the economy growth was slowed down gradually. According to various research reports, it is expected that for the future performance and athleisure active wear the compound annual growth rate will still demonstrate higher growth rate than the other categories of apparel. In addition, national brand giants are also engaged in the new product developments and the planning of long-term growth projects. Eclat will continue to strengthen the research and innovation in order to head toward the development of high-value, niche products, thereby establishing the Company's advantages in international competitiveness.

Financial Performance

In 2018, the net operating revenue of the Group was NTD 27.578 billion, where the net operating revenue from the Knitting Division is NTD 8.161 billion, accounted for 29.59% of the overall operating revenue of the Group. The operating income from the Garment Division was NTD 19.417 billion, accounted for 70.41% of the overall operating revenue of the entire company. The total thereof shows a growth of NTD 0.335 billion from 2017 with a growth of 13.81%. Regarding the current operating profit, the operating profit for 2018 was NTD 5.305 billion, a growth of NTD 1.106 billion from 2017 with a growth of 26.35%. The net income for 2018 was NTD 4.38 billion, a growth of NTD 1.328 billion from 2017 with a growth of 43.50%. For 2018, the earnings per share (EPS) after tax was NTD 15.96.

Buesiness Developments

To cope with customers' future business growth and plan of concentrating supply chain, the Company will continue to expand the production capacity and to invest in equipments. In addition, for existing production bases, through optimizing sourcing and inventory management, idle space and machines will be utilized to establish new production lines. As the global trade risk increases, the Company will continue to seek appropriate global locations for the establishment of new production bases in the future. The Company will continue to implement experiments with new research and development on manufacturing processes, introduce new technologies, develop and integrate internal systems, cultivate and train professional technical employees, in order to increase efficiency, shorten lead time and achieve quick response to market demands. With regard to the consumers' definition of performance activewear, it extends from the wear for sports to leisure lives, and it even fits to the fashion clothing and business official occasions. Consequently, it drives the overall industry to continue to grow. Through research, development and innovation, the Company will continue to extend the depth and breadth of products in order to provide comprehensive products and services to customers, thereby maintaining the competitive advantages and increasing the added value of products.

Outlook

Looking forward 2019, under the impact of the trade war between the world two largest economies of China and US, the global overall economy is full of uncertainty, affecting the demands of consumers on apparels, such that the purchase behaviors of national brands and retailers may also change. In addition, with globalization and the significant growth trend of online shopping behavior, leading brands will continue to maintain their market shares and will demand closer cooperation of the supply chains, and will care the production capacity, manufacturing of orgins, inventory management, corporate social responsibility etc. of their suppliers significantly. The Company will continue to invest in research, development and innovation, focus on product quality, strengthen talent cultivation and management, in order to continuously create the maximum value for customers, employees and shareholders.

We wish all shareholders all the best, good health, and success

Chairman

Cheng-Hai Hung

II. Company Profile

2.1 Date of Incorporation: November 28, 1977

2.2 Company History

- November 1977: Company established, registered capital of NT\$ 500,000, divided into 500 shares at a par value of NT\$ 1,000 each. The business address was registered in Xinzhuang City, Taipei County. At the beginning, the main business of the Company included fabrics, garment and textile raw materials, and the first Chairman of the company was Hsien-Chin, Tsai.
- September 1981: Capital increased by cash at an amount of NT\$ 500,000, and the total capital was increased to NT\$ 1,000,000.
- February 1985: Mr. Cheng-Hai Hung assumed the position of Chairman of the Company.
- November 1987: Capital increased by cash at an amount of NT\$ 6,000,000, and the total capital was increased to NT\$ 7,000,000.
- August 1988: Performed capital increase by cash at an amount of NT\$ 45,000,000, and the total capital was increased to NT\$ 52,000,000, and Da-shan Plant was established in Houlong Township, Miaoli County, to perform the manufacturing items of fabric knitting, heat setting, quality inspection as well as packaging etc. In addition, the Company was relocated to Changan East Road, Taipei City.
- March 1991: Performed capital increase by surplus earnings at an amount of NT\$ 13,333,000, and the paid-in capital was increased to NT\$ 65,333,000. In addition, Wugu Plant was established to increase the knitting production capacity of the Company.
- March 1992: Capital increased by cash at an amount of NT\$ 9,000,000, and performed capital increase by surplus earnings at an amount of NT\$ 15,000,000, and Creditor's right for payment of shares to offset the debt of NT\$ 21,000,000, and the paid-in capital was increased to NT\$ 110,333,000.
- December 1992: Performed capital increase by cash at an amount of NT\$ 44,667,000 and capital increase by surplus earnings at an amount of NT\$ 40,000,000, such that the paid-in capital was increased to NT\$ 195,000,000, and the par value of each share was changed from NT\$ 1,000 to NT\$ 10, such that the number of issued shares reached 19,500,000 shares.
- January 1993: Established the R&D department under the Planning Department and responsible for collection of market trend information and development of new fabrics. In addition, test center was established for testing various quality standards of fabrics.
- August 1993: Received "Q Mark" qualification certificate from DuPont, and the

- company was the first enterprise in Asia-Pacific region to received certificate from DuPont, demonstrating DuPont's recognition in the quality of the elastic fabric produced by the Company.
- November 1995: Newly established Wugu Plant 2 in order to increase the quality inspection and packaging production capacity of the Company.
- September 1996: Established New York, USA and Hong Kong offices, responsible for sales order affairs in these regions.
- January 1997: The Company established the own brand of "Eclon" and received the trademark approval from the Bureau of Standards, Metrology and Inspection, MOEA.
- June 1997: Acquired and merged Lujia Co., Ltd., and the capital increased by the merger at an amount of NT\$ 173,309,000, and performed the capital increased by surplus earnings at an amount of NT\$ 156,000,000 as well as capital increase by cash for 20,000,000 shares, share premium at NT\$ 12.50; in addition, public listing of the Company was completed, and the paid-in capital reached NT\$ 724,309,000.
- April 1998: To expand the overseas production site and to reduce production cost, Eclat Cayman Islands Holdings indirectly invested in Unison (Wuxi) Textile Garment Co., Ltd. for 42%.
- September 1998: Performed capital increase by surplus earnings at an amount of NT\$ 72,431,000, and the paid-in capital increased to NT\$ 796,740,000.
- December 1998: Additionally, established Hsi-chou Plant, Miao-li in order to integrate the works of knitting, heat setting, quality inspection and packaging of Wugu Plant and Da-shan Plant, Miaoli; in addition, further expansion of the production lines were performed in order to increase the own manufacturing ratio and to improve the stability of product quality.
- February 2000: Hsi-chou Plant, Miao-li, qualified the inspection by the SGS international certification institution, and received ISO14001 environmental management certification.
- March 2000: The Company received approval from DuPont, and officially established the DuPont Lycra ® certified Testing Lab.
- April 2000: In the evaluation by the Labor Committee of Executive Yuan, the Company was nominated for the domestic labor-management relationship outstanding business unit
- September 2000: Performed capital increase by surplus earnings at an amount of NT\$ 51,628,700, and the paid-in capital increased to NT\$ 912,107,660.
- November 2000: Received the Industrial Sustainable Excellence Award from MOEA.
- December 2000: Approved by the Taiwan Stock Exchange for stock listing.
- April 2001: Officially listed for trading at Taiwan Stock Exchange.
- July 2003: To expand the business in China and to collect market

- information, Antares (Shanghai) Textile Co., Ltd. was established in Shanghai through the Grand Elite Holdings Inc.
- August 2003: Introduced the Enterprise Resource Planning (ERP) system.
- September 2003: To vertically integrate the production capability and to gain the competitive advantages early, the investment on the Unison (Wuxi) Textile Garment Co., Ltd. and Aegis Inc. was increased the shareholding from 42% to 100%.
- April 2004: To head toward the development of professional garment manufacturer and to increase the garment sales percentage, the Initiate Vertical Sourcing Co. Ltd. was established through the Grand Elite Holdings Inc. in order to perform the trading businesses of garment, clothing and household textiles.
- August 2004: To gain competitive advantages, vertically integrate the production capacity and to handle the market condition as well as to strengthen the operation management, 100% of the shareholding of the E-TOP (Wuxi) Textile Garment Co., Ltd. was obtained through the subsidiary of Eclat Cayman Islands Holdings.
- January 2005: Obtained the total of 1,035,528 shares of the subsidiary of Being Long Co., Ltd.; after the acquisition, the shareholding of the Company on such subsidiary increased from 50.00% to 52.96%.
- June 2005: Sold the Initiate Vertical Sourcing Co. Ltd. and ended the investment thereof.
- August 2005: Obtained shares of the subsidiary of Being Long Co., Ltd., and the shareholding of the Company on such subsidiary increased from 52.96% to 100%.
- August 2005: Capital increased by surplus earnings at an amount of NT\$ 134,079,824, and the paid-in capital after the increase reached NT\$ 1,091,792,860.
- December 2005: To expedite the global garment production planning, and with the optimistic outlook on business opportunities for Vietnam's enrollment in the WTO, the Company reached the resolution to jointly invest with the Tainan Spinning Co., Ltd. to establish the Eclat Textile Co., Ltd. in Vietnam through the Eclat Cayman Islands Holdings. The capital of the Vietnam factory was US\$ 7,000,000, and the Company invested an amount of US\$ 5,600,000, with the shareholding of 80%. The construction of the factory was completed in June 2006.
- December 2005: To improve the financial structure and to repay the debt to banks, capital increase by cash for 20,000,000 shares was performed, issued at share premium of NT\$ 13.50 per share, and the paid-in capital after the increase reached NT\$ 1,291,792,860.
- January 2006: To stabilize the garment raw material supply source, the Company invested in the Vietnam Namtex Textile Co., Ltd. through Eclat Cayman Islands Holdings; the investment amount

was US\$ 2,000,000, and shareholding of 20%.

June 2006: To actively expand the channel of garment sales, the Company invested in ANKL Co., Ltd. for an amount of NT\$ 30,000,000, and shareholding of 25%.

August 2006: Capital increased by surplus earnings at an amount of NT\$ 142,097,210, and the paid-in capital after the increase reached NT\$ 1,433,890,070.

March 2007: To reduce the production cost and to increase the competitiveness, the Company reached the resolution to establish the Eclat Fabrics (Vietnam) Co., Ltd. through Eclat Cayman Islands Holdings. a dyeing and weaving factory in Vietnam to cooperate with the existing Vietnam garment factory in order to allow the Company to become an all-in-one manufacturer with the vertical integration from the manufacturing processes of weaving, dyeing and garment production, such that a complete service can be offered to customers at once. Invested an amount of US\$ 19,000,000, and shareholding of 100%. The factory was expected to be completed by the end of February 2009.

June 2007: Capital increased by surplus earnings at an amount of NT\$ 157,727,900, and the paid-in capital after the increase reached NT\$ 1,591,617,970.

July 2007: To invest in the Eclat Fabrics (Vietnam) Co., Ltd., capital increase by cash for 25,000,000 shares was performed, issued at share premium of NT\$ 16 per share, and the paid-in capital after the increase reached NT\$ 1,841,617,970.

June 2008: Capital increased by surplus earnings at an amount of NT\$ 55,248,540, and the paid-in capital after the increase reached NT\$ 1,896,866,510.

June 2009: Capital increased by surplus earnings at an amount of NT\$ 37,937,330, and the paid-in capital after the increase reached NT\$ 1,934,803,840.

June 2010: Capital increased by surplus earnings at an amount of NT\$ 58,044,110, and the paid-in capital after the increase reached NT\$ 1,992,847,950.

June 2011: Capital increased by surplus earnings at an amount of NT\$ 119,570,870, and the paid-in capital after the increase reached NT\$ 2,112,418,820.

April 2002: To integrate resources and to strength the operation management, the Company acquired and merged the BeingLong Co., Ltd.

June 2012: Capital increased by surplus earnings at an amount of NT\$ 147,869,310, and the paid-in capital after the increase reached NT\$ 2,260,288,130.

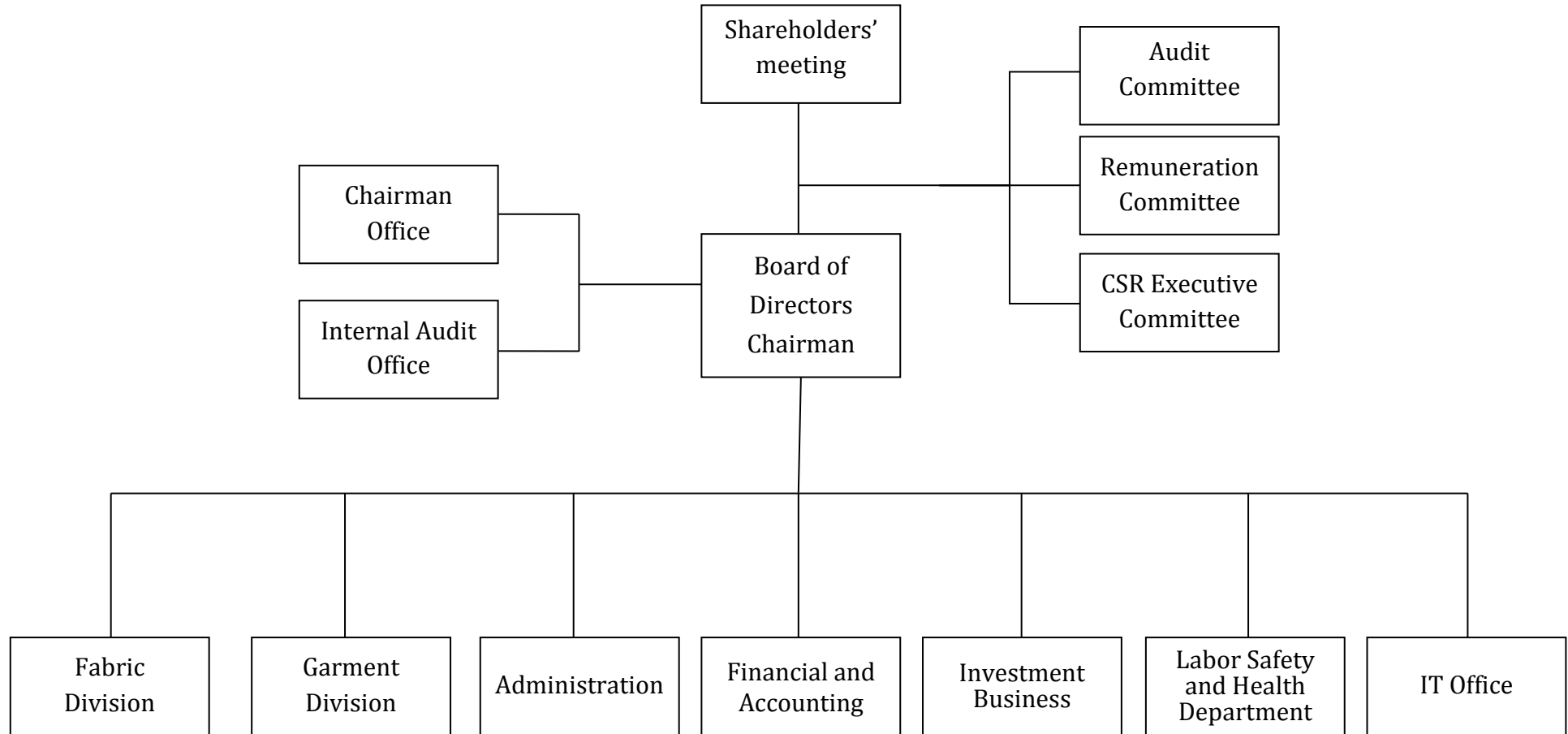
October 2012: To improve the financial structure and to repay the debt to banks, capital increase by cash for 20,000,000 shares was performed,

- issued at share premium of NT\$ 50 per share, and the paid-in capital after the increase reached NT\$ 2,460,288,130.
- 2013: Capital increased by surplus earnings at an amount of NT\$ 49,205,760, and the paid-in capital after the increase reached NT\$ 2,509,493,890. To cope with the increasing order demand, Eclat Textile (Cambodia) Co., Ltd. construction and Eclat Fabrics Co., Ltd (Vietnam) second phase expansion construction were completed; Dayuan Dyeing Plant and the Eclat Textile Co., Ltd. in Vietnam Plant expansion, obtained Vietnam Tai-Yuan Garments Co., Ltd. and Colltex Garment Mfy Co., Ltd.(VN) acquired Heching Plant.
- 2014: Capital increased by surplus earnings at an amount of NT\$ 100,379,750, and the paid-in capital after the increase reached NT\$ 2,609,873,640. Colltex Garment Mfy Co., Ltd. (VN) expansion construction complete and mass production started. Due to the intense competition in raw materials in China, increase of wages and inflation of prices, the advantage ceased to exist, and the Company ended the operation of the Antares (Shanghai) Textile Co., Ltd.
- 2015: To invest in subsidiary and to improve the operating fund and financial structure, capital increase by cash for 8,000,000 shares was performed, issued at share premium of NT\$ 320 per share, and capital increase by cash was completed in March 2016, such that the paid-in capital after the increase reached NT\$ 2,689,873,640.
- 2016: To cope with the long-term increasing trend on the demand for printed products, the Company invested through Eclat Cayman Islands Holdings jointly with I.N.T. International Inc. in E&I Printing Co., Ltd. in Dong Nai Province, Vietnam, and the shareholding percentage was 40%.
- 2017: Capital increased by surplus earnings at an amount of NT\$ 53,797,470, and the paid-in capital after the increase reached NT\$ 2,743,671,110. The Board of Directors of the Company approved the additional establishment of Hsichou Digital Printing Plant.
- 2018: The Board of Directors of the Company approved the 3rd facility expansion of Eclat Fabrics (Vietnam) Co., Ltd.

III. Corporate Governance Report

3.1 Organization

3.1.1 Organization Chart



3.1.2 Responsibilities of Main Departments

Main Department	Responsibilities
Internal Audit Office	Planning, establishment, revision and auditing of internal control system. Analysis, evaluation and recommendation of department operation management performance.
IT Office	Planning, establishment, execution and maintenance of computer information system.
Chairman Office/Investment Business / Labor Safety and Health Management Department	Managing the establishment of entire company's operation strategy, department coordination, customer credit verification and legal affairs handling. Planning and management of invested business. Labor safety and health management related affairs.
Fabric Division	Marketing strategy, planning and execution. Market information collection and analysis. Product sales and market expansion. Planning, execution and control of production capacity. Arrangement and coordination of production plan. Planning, execution and control of production schedule. Planning and control of outsourcing processing. Raw material purchase strategy, planning and execution. Global trend information integration and providing. Development, design and testing of new products. Overseas tradeshow, domestic research project cooperative solution. Company and product image creation affairs.
Garment Division	Market sales and expansion. Market information collection and analysis. Development, design and creation of new products. Planning, execution and control of production capacity. Production plan, schedule planning and execution. Planning and control of outsourced processing.
Administration	Human resource management and organization development. Planning, execution and control of general affairs as well as physical security management. Company legal affairs, litigation, commercial contracts, legal compliance.
Financial and Accounting	Company financial, accounting services, tax affairs management, financial planning, investment management and strategy planning.

3.2 Directors, Supervisors and Management Team:

3.2.1 Directors and Supervisors:

3.2.1.1. Director:

April 20, 2019

Title	Nationality	Name	Gender	Election Date	Term	Date of first Elected	Shareholding when elected		Current Shareholding		Spouse and Minor Children Current shareholding		Shareholding Under Names of Others		Major Education and Past Position	Current positions at the Company and other companies	Who are Spouses or a Second-degree Relative of Consanguinity to Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Chairman	R.O.C.	Cheng-Hai Hung	Male	June, 14, 2018	3 years	November, 1977~Present day, Director; February, 1985~Present day, Chairman	9,035,318	3.29%	9,035,318	3.29%	9,543,332	3.48%	-	-	Bachelor of Chihlee University of Technology Chairman and President, Eclat Textile Co., Ltd.	Note 1	Assistant Vice President, Fabric Division	Jui-Ting Hung	First-degree relative
																	Assistant Vice President, Fabric Division	Shih-Tu Chen	Second-degree relative
Director	R.O.C.	Li-Chen Wang	Male	June, 14, 2018	3 years	November, 1977~Present day, Director	7,932,435	2.89%	7,932,435	2.89%	8,362,129	3.05%	-	-	Zhihui Junior High School Vice President, Eclat Textile Co., Ltd.	Note 2	None	-	-
Director	R.O.C.	Hsien-Chin Tsai	Male	June, 14, 2018	3 years	November, 1977~February, 1985 Chairman; February, 1985~Present day, Director	21,634,993	7.89%	21,634,993	7.89%	-	0.00%	-	-	Nanya Institute of Technology LUBTEK CO.,LTD., Chairman	Note 3	President, Fabric Division	Chun-Chin Tsai	Second-degree relative
Director	R.O.C.	Kun-Tang Chen	Male	June, 14, 2018	3 years	June, 14, 2006	482,864	0.18%	482,864	0.18%	2,549	0.00%	-	-	PhD., Textile Management, University of Leeds, Vice President, Nan Yang Dyeing & Finishing Co., Ltd.	Note 4	None	-	-
Director	R.O.C.	Jen-Chieh Lo	Male	June, 14, 2018	3 years	June, 10, 2002	365,724	0.13%	365,724	0.13%	179,274	0.07%	-	-	Master of Department of Accounting, Soochow University Senior Manager, Horizon Securities	Note 5	None	-	-
Director	R.O.C.	Shu-Wen Wang	Male	June, 14, 2018	3 years	18, June, 2012	28,008	0.01%	28,008	0.01%	-	-	-	-	Master of Accounting and Finance, California State University, Los Angeles Assistant Manager, CTBC Bank	Note 6	None	-	-
Director	R.O.C.	Yih-Yuan Investment Corp.		June, 14, 2018	3 years	June, 24, 2015	25,790,335	9.40%	25,790,335	9.40%	-	-	-	-	-	-	-	-	-
			Male			Representative: Kuo-Sung Hsieh	-	-	-	-	-	-	-	-	DBA, University of South Australia CPA	Note 7	None	-	-
Director	R.O.C.	Shou-Chun Yeh	Male	June, 14, 2018	3 years	June, 24, 2015	517,330	0.19%	517,330	0.19%	-	-	-	-	Bachelor of department of Accounting, National Chengchi University Chairman, Zig Sheng Co., Ltd.	Note 8	None	-	-

Title	Nationality	Name	Gender	Election Date	Term	Date of first Elected	Shareholding when elected		Current Shareholding		Spouse and Minor Children Current shareholding		Shareholding Under Names of Others		Major Education and Past Position	Current positions at the Company and other companies	Who are Spouses or a Second-degree Relative of Consanguinity to Each Other		
							Shares	%	Shares	%	Shares	%	Shares	%			Title	Name	Relation
Independent Director	R.O.C.	Ya-Kang Wang	Male	June, 14, 2018	3 years	June, 24, 2015	-	-	-	-	-	-	-	-	Master of Institute of Urban Planning, National Chung Hsing University Director General, Industrial Development Bureau, MOEA Director General, Small and Medium Enterprise Administration, MOEA Secretary General, Chinese National Federation of Industries	Note 9	None	-	-
Independent Director	R.O.C.	Cheng-Ping Yu	Male	June, 14, 2018	3 years	June, 24, 2015	-	-	-	-	-	-	-	-	PhD of The University of Leeds, Associate Professor, Department of Textiles & Clothing, Fu Jien Catholic University	Note 10	None	-	-
Independent Director	R.O.C.	Nai-Ming Liu	Male	June, 14, 2018	3 years	June, 24, 2015	-	-	-	-	-	-	-	-	Master of Department of Accounting, National Chengchi University Adjunct Lecturer, Hsing Wu University CPA	Note 11	None	-	-

Note 1: Mr. Cheng-Hai Hung presently and concurrently acts as the R&D supervisor of the Company, the Chairman for Unison (Wuxi) Textile Garment Co., Ltd., Eclat Textile Co., Ltd. (Vietnam), E-Top (Vietnam) Co., Ltd., Colltex Garment Mfy Co., Ltd. (Vn), Tai-Yuan Garments Co., Ltd., Eclat Fabrics (Vietnam) Co., Ltd., Eclat Enterprise, Eclat Textile (Cambodia) and Best Information Technology Co., Ltd.

Note 2: Mr. Li-Chen Wang presently and concurrently acts as the Consultant of the Company, the Director for Yih-Yuan Investment Corp., Grand Elite Holdings Inc., Eclat Cayman Island Holdings and Eclat Fabrics (Vietnam) Co., Ltd.

Note 3: Mr. Hsien-Chin Tsai presently, concurrently acts as the Chairman of Lubtek Co., Ltd., the Director of Yih-Yuan Investment Corp., Grant Elite Holdings Inc., Eclat Cayman Islands Holdings, Unison (Wuxi) Textile Garment Co., Ltd., Eclat Fabrics (Vietnam) Co., Ltd. and Supervisor of Best Information Technology Co., Ltd.

Note 4: Mr. Kun-Tang Chen presently acts as the President of the Company, the Director as well as President concurrently for Eclat Fabrics (Vietnam) Co., Ltd., E-Top (Vietnam) Co., Ltd, Eclat Enterprise, Eclat Textile (Cambodia) and Eclat Textile Co., Ltd (Vietnam)

Note 5: Mr. Jen-Chieh Lo presently acts as the Vice President of the Company, concurrently acts as the Director for Eclat Textile Co., Ltd. (Vietnam), E-Top (Vietnam) Co., Ltd., Colltex Garment Mfy Co., Ltd. (Vn), Tai-Yuan Garments Co., Ltd., Eclat Fabrics (Vietnam) Co., Ltd., Grand Elite Holdings Inc., Eclat Enterprise, Eclat Textile (Cambodia), Eclat Cayman Islands Holdings; and Supervisor of Unison (Wuxi) Textile Garment Co., Ltd.

Note 6: Mr. Shu-Wen Wang presently acts as the Executive Vice President of the Company, the Director for Eclat Textile Co., Ltd. (Vietnam), and Eclat Fabrics (Vietnam) Co., Ltd.

Note 7: Mr. Kuo-Sung Hsieh presently and concurrently acts as the CPA at Honesty CPA Firm and Assistant Professor at Shih Chien University.

Note 8: Mr. Shou-Chun Yeh presently and concurrently acts as the Chairman of Zig Sheng Industrial Co., Ltd., Director of Everest Textile Co., Ltd. and Supervisor of Evertex Fabrinology Limited.

Note 9: Mr. Ya-Kang Wang presently and concurrently acts as the Consultant of Chinese National Federation Industries, Consultant of Taiwan Textile Research Institute, Evaluation Specialist at Public Construction Commission, Executive Yuan, Director of Johnson Health Tech Co., Ltd., Director of Singtex Industrial Co., Ltd., Independent Director of Wah Lee Industrial Corp., Independent Director of Wisher Industrial Co., Ltd. and Independent Director of Feng Hsin Steel Co., Ltd.

Note 10: Mr. Cheng-Ping Yu presently and concurrently acts as Associate Professor at Department of Textiles & Clothing, Fu Jen Catholic University.

Note 11: Mr. N.M. Liu presently and concurrently acts as Adjunct Lecturer at Hsing Wu University, CPA at Cheng Yuan CPA Firm, Independent Director of Biopik Technology Inc., Independent Director of Apaq Technology Co., Ltd. and representative of corporate director of Leasing & Financing Corporation.

Major Shareholders of Corporate Shareholders

April 20, 2019

Name of corporate shareholder	Major Shareholders of Corporate Shareholder
Yih-Yuan Investment Corp.	Cheng-Hai Hung (21.12%)
	Hsien-Chin Tsai (21.08%)
	Li-Chen Wang (20.23%)
	Twinbron Inc.-Ping-Hung Lu (8.65%)
	Wei Yueh Investment Inc.-Wei-Tsu Chen (6.92%)
	Shih-Fan Chen (6.92%)

3.2.1.2 Professional qualifications and independence analysis of directors and supervisors:

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Not an employee of the Company or any of its affiliates.	Not a director or supervisor of the Company or any of its affiliates. (Note 1)	Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs..	Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.	Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company	Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. (Note 2)	Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company	Not been a person of any conditions defined in Article 30 of the Company Law.	Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.	
Name														
Chairman Cheng-Hai Hung	-	-	√	-	-	-	-	√	-	√	√	√	√	None
Director Li-Chen Wang	-	-	√	-	-	-	√	-	-	√	√	√	√	None
Director Hsien-Chin Tsai	-	-	√	-	-	-	-	-	-	√	√	√	√	None
Director Kun-Tang Chen	-	-	√	-	-	√	√	√	-	√	√	√	√	None
Director Jen-Chieh Lo	√	-	√	-	-	√	√	√	-	√	√	√	√	None
Director Shu-Wen Wang	-	-	√	-	-	√	√	√	-	√	√	√	√	None
Director Yih-Yuan Investment Corp. Representative : Kuo-Sung Hsieh	√	√	√	√	√	√	√	√	√	√	√	√	-	None
Director Shou-Chun Yeh	-	-	√	√	√	√	√	√	-	√	√	√	√	None
Independent	-	√	√	√	√	√	√	√	√	√	√	√	√	3

Criteria	Meet One of the Following Professional Qualification Requirements, Together with at Least Five Years Work Experience			Independence Criteria										Number of Other Public Companies in Which the Individual is Concurrently Serving as an Independent Director
	An Instructor or Higher Position in a Department of Commerce, Law, Finance, Accounting, or Other Academic Department Related to the Business Needs of the Company in a Public or Private Junior College, College or University	A Judge, Public Prosecutor, Attorney, Certified Public Accountant, or Other Professional or Technical Specialist Who has Passed a National Examination and been Awarded a Certificate in a Profession Necessary for the Business of the Company	Have Work Experience in the Areas of Commerce, Law, Finance, or Accounting, or Otherwise Necessary for the Business of the Company	Not an employee of the Company or any of its affiliates.	Not a director or supervisor of the Company or any of its affiliates. (Note 1)	Not a natural-person shareholder who holds shares, together with those held by the person's spouse, minor children, or held by the person under others' names, in an aggregate amount of 1% or more of the total number of outstanding shares of the Company or ranking in the top 10 in holdings	Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs..	Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the Company or who holds shares ranking in the top five holdings.	Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the Company	Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof. (Note 2)	Not having a marital relationship, or a relative within the second degree of kinship to any other director of the Company	Not been a person of any conditions defined in Article 30 of the Company Law.	Not a governmental, juridical person or its representative as defined in Article 27 of the Company Law.	
Name														
Director Ya-Kang Wang														
Independent Director Cheng-Ping Yu	v	-	v	v	v	v	v	v	v	v	v	v	v	None
Independent Director Nai-Ming Liu	v	v	v	v	v	v	v	v	v	v	v	v	v	2

(Note 1) (The same does not apply, however, in cases where the person is an independent director of the company, its parent company, or any subsidiary, as appointed in accordance with the laws of Taiwan government or local government laws).

(Note 2) These restrictions do not apply to any member of the Remuneration Committee who exercises powers pursuant to Article 7 of the “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”.

3.2.2 Profiles of Key Managers:

April 20, 2019

Title	Nationality	Name	Gender	Position Date	Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Major Education and Past Position	Current positions at other companies	Manager with relationship of spouse or within second-degree relative		
					Number of shareholding	Percentage of Shareholding %	Number of shareholding	Percentage of Shareholding %	Number of shareholding	Percentage of Shareholding %			Title	Name	Relation
Chairman and R&D Supervisor	R.O.C.	Cheng-Hai Hung	Male	July, 2015	9,035,318	3.29%	9,543,332	3.48%	-	-	Bachelor of Chihlee University of Technology Chairman and President, Eclat Textile Co., Ltd.	None	Assistant Vice President, Fabric Division	Shih-Tu Chen	Second-degree relative
													Assistant Vice President, Fabric Division	Jui-Ting Hung	First-degree relative
President, Fabric Division	R.O.C.	Chun-Chin Tsai	Male	July, 1985	-	-	-	-	1,687,705	0.62%	Kai Ming Senior Technical and Commercial Vocational School Vice President, Eclat Textile Co., Ltd.	None	None	-	-
President, Garment Division	R.O.C.	Kun-Tang Chen	Male	June, 2005	482,864	0.18%	2,549	0.00%	-	-	PhD., Textile Management, University of Leeds, Vice President, Nan Yang Dyeing & Finishing Co., Ltd.	Note 1	None	-	-
Executive Vice President	R.O.C.	Shu-Wen Wang	Male	May, 2013	28,008	0.01%	-	-	-	-	Master of Accountancy, California State University, Los Angeles, U.S.A. Assistant Manager, CTBC Bank	None	None	-	-
Vice President, Fabric Division	R.O.C.	Sheng-Tien Lee	Male	April, 2012	331	0.00%	-	-	-	-	National Tung Shih Senior High School Assistant Vice President, Bing Long Inc.	None	None	-	-
Vice President, Financial and Accounting Department	R.O.C.	Jen-Chieh Lo	Male	February, 2002	365,724	0.13%	179,274	0.07%	-	-	Master of Department of Accounting, Soochow University Senior Manager, Horizon Securities	None	None	-	-
Vice President, Fabric Division	R.O.C.	Cheng-Chin Tsai	Male	July, 2011	4,569	0.00%	-	-	-	-	Bachelor of Fu Jen Catholic University Assistant Vice President of Sales, Eclat Textile Co., Ltd.	None	None	-	-
Vice President, Garment Division	R.O.C.	Li-Fen Cheng	Female	January, 2012	2,125	0.00%	-	-	-	-	Master of University of Leeds Assistant Vice President of Sales, Eclat Textile Co., Ltd.	None	None	-	-
Assistant Vice President, Garment Division	R.O.C.	Jui-Li Fang	Male	August, 2000	0	0.00%	-	-	-	-	Bachelor of Tao Yuan Agricultural & Industrial Vocational School Sales Manager, Eclat Textile Co., Ltd.	None	None	-	-

Title	Nationality	Name	Gender	Position Date	Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Major Education and Past Position	Current positions at other companies	Manager with relationship of spouse or within second-degree relative		
					Number of shareholding	Percentage of Shareholding %	Number of shareholding	Percentage of Shareholding %	Number of shareholding	Percentage of Shareholding %			Title	Name	Relation
Assistant Vice President, Fabric Division	R.O.C.	Ping-Chi Hsu	Male	July, 2011	23,583	0.01%	-	-	-	-	Master of Fu Jen Catholic University Manager of Fabric Division, Eclat Textile Co., Ltd.	None	None	-	-
Assistant Vice President, Garment Division	R.O.C.	Chia-Chun Chiang	Male	August, 2011	0	0.00%	-	-	-	-	EMBA (discontinued), Fu Jen Catholic University Sales Manager, Eclat Textile Co., Ltd.	None	None	-	-
Assistant Vice President, Financial and Accounting Department	R.O.C.	Lai-Kuei Chen	Female	November, 2013	28,989	0.01%	-	-	-	-	Bachelor of Soochow University Manager of Accounting Division, Eclat Textile Co., Ltd.	None	None	-	-
Assistant Vice President, Garment Division	R.O.C.	Hao-He Chen	Male	January, 2014	2,595	0.00%	40	0.00%	-	-	Bachelor of Department of Political Science, National Taiwan University Sales Manager, Eclat Textile Co., Ltd.	None	None	-	-
Assistant Vice President, Fabric Division	R.O.C.	Lien-Tsai Chen	Male	January, 2014	40	0.00%	-	-	-	-	Bachelor of National Taiwan University of Science and Technology Sales Manager, Eclat Textile Co., Ltd.	None	None	-	-
Assistant Vice President, Garment Division	R.O.C.	Wei-Yeh Huang	Male	January, 2014	2,060	0.00%	-	-	-	-	Oriental Institute of Technology Sales Manager, Eclat Textile Co., Ltd.	None	None	-	-
Assistant Vice President, Fabric Division	R.O.C.	Shih-Tu Chen	Male	May, 2014	2,436	0.00%	-	-	-	-	St. Peter Senior High School Factory Manager, Eclat Textile Co., Ltd.	None	R&D Supervisor	Cheng-Hai Hung	Second-degree relative
Assistant Vice President, Garment Division	R.O.C.	Chu-Chang Ou	Male	May, 2014	1,020	0.00%	-	-	-	-	National Kaohsiung Marine University QA Manager, Avida Department Store, Wanda Industry Corp. Ltd. and Eclat Textile Co., Ltd.	None	None	-	-
Assistant Vice President, Fabric Division	R.O.C.	Jui-Ting Hung	Male	February, 2017	4,218,746	1.54%	44,880	0.02%	-	-	Master of Materials Science and Engineering, National Tsing Hua University and University of Florida Teaching Assistant of Materials Science and Engineering, University of Florida; Sales Manager, Eclat Textile Co., Ltd.	None2	R&D Supervisor	Cheng-Hai Hung	First-degree relative

Title	Nationality	Name	Gender	Position Date	Shareholding		Spouse and Minor Children Shareholding		Shareholding by Nominee Arrangement		Major Education and Past Position	Current positions at other companies	Manager with relationship of spouse or within second-degree relative		
					Number of shareholding	Percentage of Shareholding %	Number of shareholding	Percentage of Shareholding %	Number of shareholding	Percentage of Shareholding %			Title	Name	Relation
Assistant Vice President, Garment Division	R.O.C.	Heng-Wei Hsu	Male	February, 2017	1,832	0.00%	252	0.00%	-	-	Bachelor of DBA, Fu Jen Catholic University Manager of Manufacturing Division, Lesotho Garment Plant, Eclat Textile Co., Ltd. (Vietnam) and Eclat Textile Co., Ltd.	Note 3	None	-	-
Assistant Vice President, Eclat Fabrics (Vietnam) Co., Ltd.	R.O.C.	Chi-Feng Huang	Male	February, 2017	-	-	-	-	-	-	Master of Department of Fiber and Composite Materials, Feng Chia University Textile Factory Director and Factory Supervising Manager, Eclat Textile Co., Ltd	None	None	-	-

Note 1 : Kun-Tang Chen presently and concurrently acts as the President of Eclat Textile Co., Ltd. (Vietnam).

Note 2 : Jui-Ting Hung presently and concurrently acts as the Chairman of Yih-Yuan Investment Corp.

Note 3: Heng-Wei Hsu presently and concurrently acts as the Chief Factory Director of Eclat Textile Co., Ltd. (Vietnam).

3.2.3 Remuneration paid to Directors, Supervisors, Presidents, and Vice Presidents for the most recent fiscal year:

1. Compensation Paid to Directors (including Independent Directors)

2018 Unit: NT\$1000

Title	Name (Note 1)	Directors' remuneration								Total Compensation (A+B+C+D) as a % of 2018 Net Income (Note 10)		Compensation as concurrently an employee of the Company								Total Compensation (A+B+C+D+E+F+G) as a % of 2018 Net Income (Note 10)		Compensation Received from invested enterprises other than subsidiaries (Note 11)
		Compensation(A) (Note 2)		Pension(B)		Compensation to Directors (Note 3)		Allowances (D) (Note 4)				Salaries, bonuses, special allowances etc. (E) (Note 5)		Pension(F)		Employee remuneration(G) (Note 6)						
		The Company	All Companies included in the financial statements (Note 7)	The Company	All Companies included in the financial statements table (Note 7)	The Company	All Companies included in the financial statements (Note 7)	The Company	All Companies included in the financial statements (Note 7)	The Company	All Companies included in the financial statements (Note 7)	The Company	All Companies included in the financial statements (Note 7)	The Company	All Companies included in the financial statements (Note 7)	The Company		All Companies included in the financial statements (Note 7)		The Company	All Companies included in the financial statements (Note 7)	
Director	Cheng-Hai Hung	1,680	1,680	-	-	-	-	650	650	0.05%	0.05%	70,228	70,879	249	249	-	-	-	-	1.66%	1.68%	-
Director	Li-Chen Wang																					
Director	Hsien-Chin Tsai																					
Director	Kun-Tang Chen																					
Director	Jen-Chieh Lo																					
Director	Shu-Wen Wang																					
Director	Representative of Yih-Yuan Investment Corp.-Kuo-Sung Hsieh																					
Director	Shou-Chun Yeh																					
Independent Director	Ya-Kang Wang																					
Independent Director	Cheng-Ping Yu																					
Independent Director	Nai-Ming Liu																					
*Other than disclosure in the above table, Directors remunerations earned by providing services (e.g. providing consulting services as a non-employee) of the Company in the most recent fiscal year: 120																						

Remuneration Range table

Bracket	Name of director			
	Sum of the first 4 items (A+B+C+D)		Sum of the first 7 items (A+B+C+D+E+F+G)	
	The Company (Note 8)	All Companies included in the financial statements (Note 9) H	The Company (Note 8)	All Companies included in the financial statements (Note 9) I
Less than NT\$2,000,000	Cheng-Hai Hung, Li Chen Wang Hsien-Chin Tsai, Kun-Tang Chen Jen-Chieh Lo, Shu-Wen Wang Shou-Chun Yeh, Ya-Kang Wang Cheng-Ping Yu, Nai-Ming Liu Representative of Yih-Yuan Investment Corp.- Kuo-Sung Hsieh	Cheng-Hai Hung, Li Chen Wang Hsien-Chin Tsai, Kun-Tang Chen Jen-Chieh Lo, Shu-Wen Wang Shou-Chun Yeh, Ya-Kang Wang Cheng-Ping Yu, Nai-Ming Liu Representative of Yih-Yuan Investment Corp.- Kuo-Sung Hsieh	Hsien-Chin Tsai, Li-Chen Wang Shou-Chun Yeh, Ya-Kang Wang Cheng-Ping Yu, Nai-Ming Liu Representative of Yih-Yuan Investment Corp.- Kuo-Sung Hsieh	Hsien-Chin Tsai, Li-Chen Wang Shou-Chun Yeh, Ya-Kang Wang Cheng-Ping Yu, Nai-Ming Liu Representative of Yih-Yuan Investment Corp.- Kuo-Sung Hsieh
NT\$ 2,000,000 (inclusive) ~ NTS 5,000,000				
NT\$ 5,000,000 (inclusive) ~ NTS 10,000,000			Jen-Chieh Lo	Jen-Chieh Lo
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000			Shu-Wen Wang	Shu-Wen Wang
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000			Cheng-Hai Hung	Cheng-Hai Hung
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000			Kun-Tang Chen	Kun-Tang Chen
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000				
NT\$ 100,000,000 and above				
Total	11	11	11	11

Note 1: The names of directors shall be listed separately (corporate shareholders' names and representatives shall be listed separately for corporate shareholders) and each payment shall be disclosed in a summary table. For a director concurrently acts as President or Vice President, the name shall be listed on this and the following table.

Note 2: Refers to the remuneration of directors for the most recent year (including the directors' salary, allowance, severance pay, various bonuses, rewards etc.).

Note 3: The amount of directors' remuneration appropriated in the most recent year and approved by the board of directors.

Note 4: Refers to the relevant business execution expense of directors in the most recent year (including transportation fee, special allowances, various subsidies, accommodation, company vehicles and other physical offers etc.) When there are expenses for housing, car or other transportation tools or specialized personal expense, the asset nature and cost provided shall be disclosed, and the rent shall be calculated according to the actual or fair market price, gasoline fee and other payments. If drivers are provided, please describe the compensation to relevant drivers paid by the Company, but not counted as the remuneration.

Note 5: Refers to the expense for the compensation, including salary, allowance, severance pay, various bonuses, rewards, transportation fee, special allowances, various subsidies, accommodation, company car etc. and physical offers etc., collected by directors concurrently acting as employees (including adjunct President, Vice President, other Managers and employees). When there are expenses for housing, car or other transportation tools or specialized personal expense, the asset nature and cost provided shall be disclosed, and the rent shall be calculated according to the actual or fair market price, gasoline fee and other payments. If drivers are provided, please describe the compensation to relevant drivers paid by the Company, but not counted as the remuneration. In addition, for the salary expense recognized according to IFRS 2 "Share-Based Payment", including the employee stock warrants, new restricted employee shares and participation in subscription of shares for capital increase by cash, it shall also be counted as part of the remuneration.

Note 6: Refers to where directors concurrently acting as employees (including adjunct President, Vice President, other Managers and employees) obtain employees' remuneration (including stocks and cash), the employees' remuneration amount appropriated in the most recent year based on the approval of the board of directors shall be disclosed. If such amount cannot be estimated, then the proposed appropriation amount for present year shall be calculated according to the actual appropriation amount ratio of last year, and Table 1-3 shall be further completed.

Note 7: The total amount of the various compensations paid by all companies (including the Company) indicated in the consolidated financial statements to the directors of the Company shall be disclosed.

Note 8: For the total amount of compensations paid to each director by the Company, the name of the directors shall be disclosed in their remuneration brackets.

Note 9: For the total amount of the compensations paid by all companies (including the Company) indicated in the consolidated financial statements to the directors of the Company, the name of the directors shall be disclosed in their remuneration brackets.

Note 10: The net income refers to the net income of the most recent year. Where the IFRS standard is adopted, the net income refers to the net income of an entity or individual financial statements of the most recent year.

Note 11: a. This field shall clearly indicate the relevant compensation amount received by the directors of the Company from non-consolidated affiliates.

b. Where directors of the Company receive relevant remuneration from non-consolidated affiliates, then the compensation received by the directors of the Company from investees other than subsidiaries shall be counted into the Field I of the remuneration bracket table, and the name of such field shall be changed "All investees".

c. The compensation refers to the remuneration and salary received by directors acting as directors, supervisors or managers of investees other than subsidiaries (including salaries of employees, directors and supervisors) and business execution expenses etc.

* The content of the compensation disclosed in this table is of different meaning from the income described in the Income Tax Act; therefore, the purpose of this table is for the purpose of information disclosure only and is not for the purpose of taxation.

2. Compensation Paid to President and Vice Presidents

2018 Unit: NT\$1000

Title	Name (Note 1)	Salary(A) (Note 2)		Pension(B)		Bonuses and Allowances (C) (Note 3)		Employee remuneration (D) (Note 4)				Total Compensation (A+B+C+D) as a % of 2018 (Note 8)		Compensation Received from invested enterprises other than subsidiaries (Note 9)
		The Company	All Companies included in the financial statements (Note 5)	The Company	All Companies included in the financial statements (Note 5)	The Company	All Companies included in the financial statements (Note 5)	The Company		All Companies included in the financial statements (Note 5)		The Company	All Companies included in the financial statements All Companies (Note 5)	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Chairman and R&D Supervisor	Cheng-Hai Hung	18,293	18,944	659	659	83,610	83,610	None	None	None	None	2.34%	2.36%	None
President	Chun-Chin Tsai													
President	Kun-Tang Chen													
Vice President	Jen-Chieh Lo													
Vice President	Shu-Wen Wang													
Vice President	Sheng-Tien Lee													
Vice President	Cheng-Chin Tsai													
Vice President	Li-Fen Cheng													

Remuneration brackets table

Ranges of remuneration paid to the Company's President and Vice Presidents	Name of President and Vice Presidents	
	The Company (Note 6)	All Consolidated Entities included in the financial statements (Note 7) (E)
Less than NT\$2,000,000		
NT\$ 2,000,000 (inclusive) ~ NT\$ 5,000,000		
NT\$ 5,000,000 (inclusive) ~ NT\$ 10,000,000	Jen-Chieh Lo, Sheng-Tien Lee, Cheng-Chin Tsai	Jen-Chieh Lo, Sheng-Tien Lee, Cheng-Chin Tsai
NT\$ 10,000,000 (inclusive) ~ NT\$ 15,000,000	Chun-Chin Tsai, Shu-Wen Wang, Li-Fen Cheng	Chun-Chin Tsai, Shu-Wen Wang, Li-Fen Cheng
NT\$ 15,000,000 (inclusive) ~ NT\$ 30,000,000	Cheng-Hai Hung	Cheng-Hai Hung
NT\$ 30,000,000 (inclusive) ~ NT\$ 50,000,000	Kun-Tang Chen	Kun-Tang Chen
NT\$ 50,000,000 (inclusive) ~ NT\$ 100,000,000		
NT\$ 100,000,000 and above		
Total	8	8

Note 1: The names of President and Vice President shall be listed separately, and all amounts paid shall be disclosed in a summary table method. For a director concurrently acts as President or Vice President, this table and the above table shall be completed.

Note 2: Refers to the salary, allowance, severance pay for the President and Vice Presidents in the most recent year.

Note 3: Refers to various bonuses, rewards, transportation fees, special allowances, various subsidies, accommodation, company car and physical offers etc. as well as other remuneration amounts. When there are expenses for housing, car or other transportation tools or specialized personal expense, the asset nature and cost provided shall be disclosed, and the rent shall be calculated according to the actual or fair market price, gasoline fee and other payments. If drivers are provided, please describe the compensation to relevant drivers paid by the Company, but not counted as the remuneration. In addition, for the salary expense recognized according to IFRS 2 "Share-Based Payment", including the employee stock warrants, new restricted employee shares and participation in subscription of shares for capital increase by cash, it shall also be counted as part of the remuneration.

Note 4: The employees' remuneration (including stocks and cash) appropriation for President and Vice Presidents approved by the board of directors for the most recent year shall be disclosed. If such amount cannot be estimated, then the proposed appropriation amount for the present year shall be calculated according to the actual appropriation amount ratio of last year, and Table 1-3 shall be further completed. The net income refers to the net income of the most recent year. Where the IFRS standard is adopted, the net income refers to the net income of an entity or individual financial statements of the most recent year.

Note 5: The total amount of various compensations paid by all companies (including the Company) indicated in the consolidated financial statements to the President and Vice Presidents of the Company shall be disclosed.

Note 6: For the total amount of compensations paid to each President and Vice Presidents by the Company, the name of the Presidents and Vice Presidents shall be disclosed in their remuneration brackets.

- Note 7: The total amount of compensations paid by all companies (including the Company) to each President and Vice Presidents by the Company shall be disclosed, and the name of the Presidents and Vice Presidents shall be disclosed in their remuneration brackets.
- Note 8: The net income refers to the net income of the most recent year. Where the IFRS standard is adopted, the net income refers to the net income of an entity or individual financial statements of the most recent year.
- Note 9: a. This field shall clearly indicate relevant compensation amount received by the President and Vice Presidents of the Company from non-consolidated affiliates.
b. Where President and Vice Presidents of the Company receive relevant remuneration from invested enterprises other than subsidiaries, then the compensation received by the President and Vice Presidents of the Company from investees other than subsidiaries shall be counted into the Field E of the remuneration bracket table, and the name of such field shall be changed "All investees"
c. The compensation refers to the remuneration and salary received by the President and Vice President acting as directors, supervisors or managers at investees other than subsidiaries (including salaries of employees, directors and supervisors) and business execution expenses, etc.
- Note 10: Refers to the number of new restricted employee shares obtained by directors concurrently acting as employees (including adjunct President, Vice President, other Managers and employees) up to the annual report printing date; in addition to the completion of this table, Table 15-1 shall be further completed.
*The content of the compensation disclosed in this table is of different meaning from the income described in the Income Tax Act; therefore, the purpose of this table is for the purpose of information disclosure only and is not for the purpose of taxation.

3.2.4 Name of managers with distribution of employees' remuneration and distribution status: None.

3.2.5 Separately compare and describe total remuneration, as a percentage of net income stated in the Company only financial reports or individual financial reports, as paid by the Company and by each other company included in the consolidated financial statements during the past 2 fiscal years to directors, supervisors, president, and assistant presidents, and analyze and describe remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance:

Title	2018		2017	
	The Company	All Companies included in the financial statements	The Company	All Companies included in the financial statements
Percentage of Compensation Paid to Directors	1.66%	1.68%	2.08%	2.11%
Percentage of Compensation Paid to President and Vice Presidents	2.34%	2.36%	3.03%	3.06%

The directors, president and vice presidents of the Company are of the responsibilities for the execution of the Group's operation and management, and the salary structure refers to the base salary, allowance and company cars. The compensations are paid according to the operation performance and contribution along with the consideration of the level of the same industry.

3.3 Implementation of Corporate Governance:

(I) Board of Directors Status:

In the most recent year, there were 6 board of directors meetings convened (A), and the attendance status of directors is as follows:

Title	Name (Note 1)	Attendance in Person B	Proxy Attendance	Percentage of actual attendance (%) 【B/A】 (Note 2)	Remark
Chairman	Cheng-Hai Hung	6	0	100%	-
Director	Li-Chen Wang	6	0	100%	-
Director	Hsien-Chin Tsai	6	0	100%	-
Director	Jen-Chieh Lo	6	0	100%	-
Director	Kun-Tang Chen	5	1	83%	-
Director	Shu-Wen Wang	6	0	100%	-
Director	Shou-Chun Yeh	6	0	100%	-
Director	Kuo-Sung Hsieh	6	0	100%	Representative of Corporate Shareholder Yih-Yuan Investment Corp.
Independent Director	Nai-Ming Liu	6	0	100%	-
Independent Director	Ya-Kang Wang	6	0	100%	-
Independent Director	Cheng-Ping Yu	6	0	100%	-

Other matters that shall be recorded:

I. Where the operation of a board of directors is subject to one of the following, the board of directors date, session, proposal content, opinion of all independent directors and Company's handling for the opinions of independent directors shall be described:

(I) Matters specified in Article 14-3 of the Securities and Exchange Act: The independent director of the Company has no dissenting opinions or qualified opinions on the resolutions (Note 3).

(II) Except for the aforementioned matters, other resolutions of board of directors subject to dissenting opinions or qualified opinions and equipped with records or written statements : There were no resolutions subject or dissenting or qualified options of independent directors of the Company.

II. For the execution status of recusal of directors due to conflicts of interest, the name of directors, proposal content, reasons of recusal and participation in voting shall be described: Meeting issues of board of directors in the most recent year involving recusal of directors due to conflict of interest are as follows:

Directors	Contents	Reasons	Execution status
Cheng-Hai Hung 、 Kun-Tang Chen 、 Jen-Chieh Lo 、	Ratification of 2017 yearend bonus	The motion involves director's own	Avoidance of discussion and voting

Shu-Wen Wang		interests	
Cheng-Hai Hung 、 Kun-Tang Chen 、 Jen-Chieh Lo 、 Shu-Wen Wang	Salary Ratification of all staff and manager	The motion involves director's own interests	Avoidance of discussion and voting
Ya-Kang Wang 、 Cheng-Ping Yu 、 Nai-Ming Liu	Propose and review independent director nominee roster	The motion involves director's own interests	Avoidance of discussion and voting
Cheng-Hai Hung	Election of the Company's chairman	The motion involves director's own interests	Avoidance of discussion and voting
Ya-Kang Wang 、 Cheng-Ping Yu	Appointment of remuneration committee members	The motion involves director's own interests	Avoidance of discussion and voting

III. Goals (such as establishment of Audit Committee, improvement of information transparency etc.) such as establishment of an execution status evaluation on the enhancement of functions of board of directors for the current year and the most recent year: The Company continues to execute routine revenue, financial information report and announcement of major resolution of board of directors, improve information transparency. To enhance the function of the board of directors, in addition to the establishment of Remuneration Committee and Audit Committee, to assist the board of directors to perform supervisory responsibilities, the Company establishes the "Regulations Governing Board of Directors and Functional Committee Performance Evaluation", "Ethical Corporate Management Best Practice Principles", "Corporate Governance Best Practice Principles" and establishes "CSR Promotion Committee" in order to enhance the corporate ethical management and corporate governance performance.

Note 1: Where a director or supervisor is a corporate, the name of the corporate shareholder and the name of its representative shall be disclosed.

Note 2:

- (1) Before the end of the fiscal year, if there is any resignation of the director or supervisor, the resignation date shall be indicated in the remarks field. The actual attendance rate (%) is calculated according to the number of board of directors convened and the number of actual attendance during the term of office.
- (2) Before the end of the fiscal year, if there is any re-election of directors or supervisors, the new and old directors and supervisors shall be listed, and the remarks field shall indicate the old, new or consecutive term of office and the re-election date for the directors or supervisors. The actual attendance rate (%) is calculated according to the number of board of directors convened and the number of his/her actual attendance during his/her term of office. The number of meetings and his/her actual number of attendance are used for the calculation.

Note 3: Resolutions related to Article 14-3 of Securities and Exchange Act:

Meeting Dates	Resolution
1.18.2018 (2018 1st Meeting)	Approving 2018 endorsement and guarantee matters of the Company Approving 2018 subsidiary loaning of funds and affiliates limit Approving 2018 financial statements and independent auditor entrustment Approving GRAND ELITE HOLDINGS INC's Capital reduction to make up for losses and return of shares Approving Eclat Cayman Islands Holdings's Capital reduction for cover accumulated deficits
3.15.2018 (2018 2nd Meeting)	Approving the independent director candidate roster proposed Approving facility expansion of Eclat Fabrics Vietnam Co., Ltd.
5.3.2018 (2018 3rd Meeting)	Approving Hsichou digital printing plant civil construction budget change proposal Approving independent candidate nominee roster
6.14.2018 (2018 4th Meeting)	Electing Mr. Cheng-Hai Hung to assume the Chairman consecutively
8.2.2018 (2018 5th Meeting)	Approving the employment of Remuneration Committee member proposal of the Company Approving the increase of accounts receivable transfer limit proposal
11.6.2018 (2018 6th Meeting)	Approving the amendment to the "Corporate Governance Best Practice Principles" of the Company

(II) Audit Committee Implementation Status and Supervisor Participating Board of Directors Status:

Audit Committee Implementation Status Information

There were 5 (A) Audit Committee meetings convened in the most recent year, and the attendance status of the independent directors is as follows:

Title	Name	Attendance in Person (B)	Proxy Attendance	Percentage of actual attendance(%) (B/A) (Note 1)	Remark
Independent Director	Nai-Ming Liu	5	0	100%	-
Independent Director	Ya-Kang Wang	5	0	100%	-
Independent Director	Cheng-Ping Yu	5	0	100%	-

Other matters that shall be recorded:

- I. Where the operation of Audit Committee is subject to one of the following, the board of directors date, session, proposal content, resolution result of the Audit Committee meeting and the opinion of the Audit Committee of the Company shall be described.
 - (I) Matters specified in Article 14-5 of the Securities and Exchange Act: The Audit Committee of the Company have no dissenting opinions or qualified opinions on the resolutions (Note 2).
 - (II) Except for the aforementioned matter, other resolutions not approved by the Audit Committee but had the consent of more than two-thirds of all directors: None.
- II. For the execution status of recusal of independent directors due to conflicts of interest, the name of independent directors, proposal content, reasons of recusal and participation in voting: There were no meeting issues of Audit Committee meeting in the most recent year involving recusal of directors due to conflict of interest.
- III. The communications between the independent directors, the internal auditors, and the independent auditors are listed in the table below (shall include major events, methods and results etc. communicated in relation to the company's financial and business status).

Explanation:

- (I) The independent directors communicate with the internal audit officer at the Audit Committee meeting convened quarterly. The internal audit officer provides audit reports to the independent directors in the meeting periodically in order to communicate the audit result and the follow-up execution status.
2018 Communication of Independent Directors and Internal Audit Supervisor Excerpt: Note 3.
- (II) The independent directors communicate with the independent auditor via the board of directors and annual meetings. CPA provides an explanation on the audit of the financial statements and the audit result to the independent directors annually, and communicates issues related to the internal control effectiveness audit result, whether there is any financial report adjustment of entries or whether the amendment of laws affects the account recognition method etc.
2018 Excerpt from the communication between independent directors and CPA: Note 4.

Note 1:

- * Before the end of the fiscal year, if there is any resignation of independent director, the resignation date shall be indicated in the remarks field. The actual attendance rate (%) is calculated according to the number of Audit Committee meetings convened and the number of actual attendance during the term of office.
- * Before the end of the fiscal year, if there is any re-election of independent directors, the new and old independent directors shall be listed, and the remarks field shall indicate the old, new or consecutive term of office and the re-election date for the independent directors. The actual attendance rate (%) is calculated according to the number of Audit Committee meetings convened and the number of his/her actual attendance during his/her term of office.

Note 2: Resolutions related to Article 14-5 of Securities and Exchange Act:

Meeting Dates	Resolution
1.18.2018 (2018 1st Meeting)	Approving 2018 endorsement and guarantee matters of the Company Approving 2018 subsidiary loaning of funds and affiliates limit Approving 2018 financial statements and independent auditor entrustment Approving GRAND ELITE HOLDINGS INC's Capital reduction to make up for losses and return of shares Approving ECLAT CAYMAN ISLANDS HOLDINGS's Capital reduction to make up for losses
3.15.2018 (2018 2nd Meeting)	Approving 2017 internal control system effectiveness review and issuing "Management's Reports on Internal Control" Adoption of 2017 Business Report and Financial Statements Approving facility expansion of Eclat Fabrics(Vietnam) Co., Ltd.
5.3.2018 (2018 3rd Meeting)	Approving Hsichou digital printing plant civil construction budget change proposal
8.2.2018 (2018 4th Meeting)	Approving 2018 second quarter consolidated financial report Approving the increase of accounts receivable transfer limit proposal
11.6.2018 (2018 5th Meeting)	Approving 2019 audit plan Approving the amendment to the "Corporate Governance Best Practice Principles" of the Company

Note 3: 2018 Communication of Independent Directors and Internal Audit Supervisor Excerpt as follows:

Date	Major meeting agendas
January 18, 2018	2017 4th quarter environmental protection audit execution status report

	2017 4th quarter internal audit business execution report
	2017 internal control system effectiveness review
	2017 “Management's Reports on Internal Control”
May 3, 2018	2018 1st quarter environmental protection audit execution status report
	2018 1st quarter internal audit business execution report
August 2, 2018	2018 2nd quarter environmental protection audit execution status report
	2018 2nd quarter internal audit business execution report
November 6, 2018	2018 3rd quarter environmental protection audit execution status report
	2018 3rd quarter internal audit business execution report
	2019 Annual audit plan

Note 4: 2018 Communication of Independent Directors and Independent Auditor Excerpt as follows:

Date	Major meeting agendas
May 3, 2018	● 2017 Key matter assessment and internal control effectiveness audit result report ● 2018 1st quarter new applicable standards-IFRS9, IFRS15 ● 2019 new applicable standard-IFRS16 ● Important regulation update - FSC planned new version of Corporate Governance Blueprint (2018-2020)
November 6, 2018	● Report for audit result of 2018 first three quarters consolidated financial reports ● 2018 audit plan 1. Definition of audit scope 2. Key audit matters ● Important regulations update 1. Introduction of important issues on amendments to Company Act 2. Important Securities and Exchange Act updates 3. New reporting rules for free gratis dividends

(III) Corporate governance operation status and deviation of the Company's actual governance from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies and reasons thereof:

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Explanation	
1. Does the Company follow the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" to establish and disclose its corporate governance practices?	V		The Company has established the "Corporate Governance Best Practice Principles of the Company" according to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and has published such Principles on the Market Observation Post System (MOPS) and the Company's website.	None
2. The shareholding structure and shareholders' equity of the Company (1) Does the Company have the internal procedures regulated to handle shareholders' proposals, doubts, disputes, and litigation matters; in addition, have the procedures been implemented accordingly?	V		The Company has established the "Internal Material Information Handling Operation Procedures", and has assigned dedicated personnel to handle and respond to the recommendations and doubts made by shareholders.	None
(2) Is the Company constantly informed of the identities of its major shareholders and the ultimate controller?	V		The Company is constantly informed of the identities of its major shareholders and the ultimate controller according to the shareholders' roster provided by the shareholders' service agent. In addition, the Company also discloses the status related to the pledge, increase/decrease change of equity for shareholders with shareholding exceeding 10%.	None
(3) Has the company established and implemented risk management practices and firewalls for companies it is affiliated with?	V		The Company establishes the "Subsidiaries Supervisory and Control Procedures" and implements the execution thereof. The business dealings or transactions among the affiliates are handled according to relevant regulations.	None
(4) Has the company established internal policies that prevent insiders from trading securities against non-public information?	V		The Company has established the "Procedures for Preventing Insider Trading and Handling Material Inside Information" and implements the execution thereof in order to prevent insiders from trading securities against non-public information. The Company also discloses the status related to the pledge, increase/decrease change of equity for the	None

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Explanation	
			insiders (including directors, managerial officers and shareholders with shareholding exceeding 10%) for reporting on MOPS.	
3. Composition and duties of the board of directors: (1) Does the Board of Directors have diversity policies regulated and implemented substantively according to the composition of the members?	V		The “Corporate Governance Best Practice Principles” of the Company specifies the requirement for diversity of members of board of directors. In 2018, 11 seats of board of directors were elected, there are 3 independent directors, and the board is formed by directors equipped with professional knowledge, skills and experience in the business, financial and accounting fields necessary for the company management. (Note 1) The ratio of directors equipped with the identity of employees of the Company accounts for 36% of all directors, the ratio of independent directors accounts for 27% of all directors. 2 directors are of the age above 70 years old, 6 directors are of the age between 60~69 years old, and 3 directors are of the age under 60 years old. The board of directors has disclosed the diverse policy for the formation of board members on the Company’s website.	None
(2) Apart from the Remuneration Committee and Audit Committee established according to the laws, has the Company established other functional committees at its own discretion?	V		In addition to the establishment of the Remuneration Committee and Audit Committee according to the laws, the Company also establishes the “Corporate Social Responsibility Promotion Committee”, and the current commissioners consist of 2 independent directors and 1 director, and the committee forms 5 teams in total: 1. Sustainable environment development; 2. Human resource; 3. Corporate governance; 4. Product and service; 5. Social participation. The main operating goal is to implement the concept of corporate social responsibility and sustainable operation. For the relevant outcome, in addition to the preparation of corporate social responsibility report, it also reports the current year execution outcome and the operational plan for the next year to the board of directors.	None

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Explanation	
(3) Has the Company established a set of evaluation policies and tools to evaluate the board's performance? Is performance evaluated regularly at least on an annual basis?	V		The Company had established the "Regulations Governing Board of Directors and Functional Committee Performance Evaluation" on November 7, 2017, specifying that the board of directors shall perform at least one performance evaluation of the board of directors and members of the board annually. The internal evaluation period of the board of directors for the current year shall be performed according to these Regulations before the end of each fiscal year. The measurement items for the performance evaluation of the board of directors (functional committees) of the Company include the following five major aspects: 1. The degree of participation in the company's operations. 2. Improvement in the quality of decision making by the board of directors. 3. The composition and structure of the board of directors. 4. The election of the directors and their continuing professional education. 5. Internal controls. The measurement items for the performance evaluation of the members (self or peer) of the board of directors include the following six major aspects: 1. Their grasp of the company's goals and missions. 2. Their recognition of director's duties. 3. Their degree of participation in the company's operations. 4. Their management of internal relationships and communication. 5. Their professionalism and continuing professional education. 6. Internal controls. The result of the 2018 board of directors' performance evaluation had been complete at the end of 2018 and had reported to the board of directors on 01/14/2019. The overall evaluation result of the board of directors is 95.83%; the individual comprehensive evaluation result is 96.73%. The individual evaluation results for the Audit Committee, Remuneration Committee and Corporate	None

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Explanation	
			Social Responsibility Promotion Committee are 100% respectively. Overall board of directors (functional committees) performance evaluation result indicates effective operation.	
(4) Is the external auditors' independence assessed on a regular basis?	V		The Company obtains the independence declaration issued by the independent CPA for submission to the Audit Committee for review, followed by submitting to the board of directors for approval in order to execute the entrustment of independent auditors. The annual independence assessment content of CPA mainly includes whether agreement exists between the CPA and the Company or whether there is any offering of non-audit service by the public accountant, CPA and whether the level affects the independence as well as whether there is any situation of employing previous independent auditors as the senior financial supervisor of the Company.	None
4. Has the TWSE/GTSM Listed Companies designated a department or personnel that specializes (or is involved) in corporate governance affairs (including but not limited to providing directors/supervisors with the information needed to perform their duties, convention of board of directors and shareholder meetings, company registration and changes, preparation of board of directors and shareholder meeting minutes etc)?	V		The Company had established the Secretary Section of the Board, formed by personnel designated by the Chairman's Office, Financial and Accounting Department, Administration Department and Internal Audit Office concurrently in order to be responsible for the corporate governance related affairs. In addition, the corporate governance supervisor elected by the board of directors meeting on 8/2/2018 to be responsible for the supervision thereof. Its relevant works include providing materials necessary for directors to perform duties, handle meeting related matters for the board of directors meetings, audit committee meetings, remuneration committee meetings, corporate social responsibility promotion committee meetings and shareholders meetings according to the laws, handling company registration and alternation registration, preparing relevant meeting minutes of meetings, performing information announcement and reporting, establishment and revision of internal control systems related to regulatory changes.	None

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Explanation	
5. Has the Company set up channels of communication for stakeholders (including but not limited to shareholders, employees, customers and suppliers), dedicated a section on the Company's website for stakeholder affairs and adequately responded to stakeholders' inquiries on significant corporate social responsibility issues?	V		The Company had established the stakeholders section on the Company's website, and the website also publishes the contact information of the spokesperson and all business windows in order to provide communication channels to the stakeholders. The stakeholder section is provided with email box handled by dedicated personnel in order to properly respond to relevant issues, including corporate social responsibilities concerned by stakeholders.	None
6. Does the Company engage a share administration agency to handle shareholder meeting affairs?	V		The Company entrusts the Shareholders Service Department of Yuanta Securities Co., Ltd. for handling such affairs.	None
7. Information disclosure (1) Has the Company established a website that discloses financial, business, and corporate governance-related information? (2) Has the Company adopted other means to disclose information (e.g. English website, assignment of specific personnel to collect and disclose corporate information, implementation of a spokesperson system, broadcasting of investor conferences via the company website)?	V		The Company had established Chinese and English websites to periodically disclose financial business information, and designates dedicated personnel to be responsible for the maintenance of the Company's website. The Company establishes the spokesperson and deputy spokesperson, and the investor conference and shareholders' meeting related information are updated timely on the Company's website.	None
8. Does the Company have other information that enables a better understanding of the Company's corporate governance practices (including but not limited to employee rights, employee care, investor relations, supplier relations, stakeholders' interests, continuing education of	V		1. Employees' rights and benefits: The Company treats employees as partners, and protects the rights and benefits of employees according to the Labor Standards' Act. 2. Employee care: Providing welfare system for improving the employees' living and proper educational training system, establishing excellent relationship with employees based on mutual trust and dependence. For example, the Company offers medical	None

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Explanation	
directors/supervisors, implementation of risk management policies and risk measurements standards, implementation of customer policies, and insuring against liabilities of company directors and supervisors)?			care subsidy, holiday bonuses, accommodation for employees' living care and parking space subsidy etc. 3. Investor relationship: The Company establishes the spokesperson system in order to allow dedicated personnel to be responsible for responding to the investor corporate shareholders and handling recommendations of shareholders. 4. Supplier relationship: The company maintains excellent relationship with suppliers in order to ensure the rights and benefits of both parties. 5. Stakeholders: Stakeholders may communicate with and recommend to the Company in order to maintain their legitimate rights and benefits. 6. Continuing education of directors: (Note 2) 7. Execution status of risk management policy and risk measurement standards: The Company establishes the Risk Management Regulations, and the risk management includes customer risk, financial risk, supply risk, personnel risk, climate change risk, information risk and other risks. In addition, relevant operating units are requested to establish or revise the execution procedures of various risk controls in order to implement risk management. 8. Implementation of customer policies: The Company is committed to the quality improvement and professional technology improvement such that through vertical integration of production and sales, the Company is able to perform fast development and production in order to provide one-stop shopping service to satisfy the demands from fabric to garment production for customers, thereby providing competitive products to customers. 9. Status of liability insurance purchased for directors by the Company: The Company had specified in the Articles of Incorporation that insurance may be	

Assessment criteria	Implementation status			Deviation and causes of deviation from the Corporate Governance Best-Practice Principles for TWSE/GTSM Listed Companies
	Yes	No	Explanation	
			purchased for the directors and supervisors, and the board of directors is empowered to handle relevant insurance enrollment matters with full authorization. Starting from April 2015, the Company had purchased liability insurances for directors and managers. After review and approval through the resolution of the board of directors meeting, insurance renewal for the period from April 2018 to March 2020 had been completed. 10. Continuing education of managerial officers, financial report preparation personnel and internal audit officer: (Note 3)	
9. Please explain the improvements made, based on the latest Corporate Governance Evaluation results published by TWSE Corporate Governance Center, and propose enhancement measures for any issues that are yet to be rectified. (Note 5)				

Note 1: Implementation status of policy on diversity of board members:

Item	Director								Independent Director		
	Chen-Hai Hung	Kun-Tang Chen	Shu-Wen Wang	Jen-Chieh Lo	Hsien-Chin Tsai	Li-Chen Wang	Shou-Chun Yeh	Kuo-Sung Hsieh	Ya-Kang Wang	Cheng-Ping Yu	Nai-Ming Liu
Leadership, decision making, operation, judgment and crisis handling abilities	V	V	V	V	V	V	V	V	V	V	V
Contribution to public welfare	V	V	V	V	V	V	V	V	V	V	V
Expertise in the operating business	V	V	V	V	V	V	V	V	V	V	V
Expertise in finance, legal	V	V	V	V	V		V	V	V	V	V

Note 2: Continuing education of directors and supervisors:

Directors and supervisors List	Organizer		Course Name		Training Hours	
	A	B	A	B	A	B
Chairman: Cheng-Hai Hung	Taiwan Institute of Directors	Accounting Research and Development Foundation	Analysis on new taxation regulations for citizens	Analysis on relevant polices and legal liabilities for “Anti-money Laundering and Terrorism Financing” promoted by our nation	3	3
Director Li-Chen Wang					3	3
Director Hsien-Chin Tsai					3	3
Director Kun-Tang Chen					3	3
Director Jen-Chieh Lo					3	3
Director Shu-Wen Wang					3	3
Director Shou-Chun Yeh					3	3
Director Kuo-Sung Hsieh					3	3
Independent Director Ya-Kang Wang					3	3
Independent Director Cheng-Ping Yu					3	3
Independent Director Nai-Ming Liu					3	3
Independent Director Ya-Kang Wang	Taiwan Securities Association	How enterprises ude Big Data analytics to improve business performance		3		
		Business Mergers and Acquisitions Act analysis and pratical discussion		3		
Independent Director Nai-Ming Liu	CPA Associations R.O.C. (Taiwan)	Audit of financial statements prepared according to EAS		3		
		Summary of amendment to 2018 Company Act (I)		3		
		Introduction of IFRS 16 New “Lease” accounting		3		
		How CPA copes with the Money Laundering Control Act		3		
		International accreditation practice for anti-money laundering		3		

Directors and supervisors List	Organizer		Course Name		Training Hours	
	A	B	A	B	A	B
Independent Director Cheng-Ping Yu	Taiwan Stock Exchange Corporation		Publicly listed company The Corporate Governance Roadmap Summit		3	
Director Jen-Chieh Lo	Taiwan Stock Exchange Corporation		ESG investment forum - SinoPac Securities		3	
Director Shu-Wen Wang	Financial Supervisory Commission		The 12th Taipei Corporate Governance Forum		3	

Note 3: Continuing education of managerial personnel, financial report preparation personnel and internal audit officer:

List of Managerial Officers	Organizer	Course Name	Training Hours
Financial and accounting supervisor Jen-Chieh Lo	Accounting Research and Development Foundation	Issuer, securities firm, securities exchange accounting manager continuing education program	12
Accounting manager functional substitute Lai-Kuei Chen	Accounting Research and Development Foundation	Issuer, securities firm, securities exchange accounting supervisor continuing education program	12
		Analysis on relevant polices and legal liabilities for "Anti-money Laundering and Terrorism Financing" promoted by our nation	3
	Taiwan Institute of Directors	Analysis on new taxation regulations for citizens	3
Financial report preparation personnel Chi-Li Lin	Accounting Research and Development Foundation	Analysis on relevant polices and legal liabilities for "Anti-money Laundering and Terrorism Financing" promoted by our nation	3
	Taiwan Institute of Directors	Analysis on new taxation regulations for citizens	3
Financial report preparation personnel Tsai-Fang Jan	Accounting Research and Development Foundation	Analysis on relevant polices and legal liabilities for "Anti-money Laundering and Terrorism Financing" promoted by our nation	3
	Taiwan Institute of Directors	Analysis on new taxation regulations for citizens	3
Internal audit manager Ssu-Miao Liu	Accounting Research and Development Foundation	Analysis on relevant polices and legal liabilities for "Anti-money Laundering and Terrorism Financing" promoted by our nation	3
	Taiwan Institute of Directors	Analysis on new taxation regulations for citizens	3

Note 4: Status of internal audit related personnel acquiring relevant licenses designated by competent authority:

License	Unit	Number of shareholders
Certified Internal Auditor (CIA)	Audit	3
Certified Internal Auditor (CIA)	Accounting	1

Note 5: The Company provides the explanation on the improvements made for the corporate assessment result of the Company and propose enhancement measures for any issues that are yet to be rectified as follows:

- I. Maintain shareholders' equity and fair treatment to shareholders
 - 1. For the adoption of candidate nomination system for the election of all directors, the Articles of Incorporation have been amended and will be submitted to the 2019 annual general shareholders' meeting for resolution.
 - 2. The Company had uploaded the English version of meeting agenda book and meeting supplementary information 21 days before the 2018 annual general shareholders' meeting.
- II. Strengthen the structure and operation of the board of directors
 - 1. The company had already disclosed the diversity policy implementation status on the annual report and the Company's website.
 - 2. The Company had already disclosed the resolution results of major proposals made by the Audit Committee and the handling of the Company for the opinions of the Audit Committee on the annual report.
 - 3. The Company had enhanced the disclosure of assessment on the independence procedure of CPA on the annual report.
 - 4. The Company had established corporate governance full-time personnel to be responsible for the corporate governance related affairs, and explains the operation and execution status of the establishment unit on the Company's website.
 - 5. The Company had executed the self-assessment once in 2018 according to the Regulations Governing Board of Directors and Functional Committee Performance Evaluation, and the evaluation result will be disclosed on the Company's website and the annual report.
 - 6. The Company had amended the Regulations Governing Board of Directors and Functional Committee Performance Evaluation, and specifies that external evaluation shall be performed at least once every three years.
 - 7. All of the Internal auditors of the Company are equipped with the CIA license.
- III. Enhancing Information Transparency
 - 1. The Company's goal is to simultaneously report English versions of major information in 2019.
 - 2. The Company had collected and disclosed carbon dioxide and other greenhouse gas annual emission data.
- IV. Implementation of corporate social responsibility
 - 1. The company had already disclosed the governance structure on the annual report and the Company's website.
 - 2. The Company will disclose the specific promotion plan of corporate responsibility and implementation outcome on the annual report and the Company's website periodically with best effort.
 - 3. The Company had prepared the 2017 CSR Report verified by KPMG and disclosed on the Company's website.
 - 4. The Company had already disclosed the human rights protection policy on the Company's website.
 - 5. The annual report and the website of the Company have disclosed the employee working environment and personal safety protection measures and implementation status thereof on the annual report and the Company's website.
 - 6. The Company has disclosed the carbon dioxide annual emission for the past two years and has obtained the external institution certification.

(IV) Formation, responsibilities and operation status of Remuneration Committee

(1) Information of Remuneration Committee members:

Identity (Note 1)	Condition Name	Whether he/she has at least five years of work experience and meet one of the following professional qualifications			Independence Status (Note 2)								Number of positions as Remuneration Committee member in other public companies	Remark (Note 3) End of content
		An instructor at a public or private college, in a department of commerce, law, finance, accounting, or other academic departments related to the business of the Company.	A judge, public prosecutor, attorney, certified public accountant, or other professional or technical specialist, in a profession necessary for the business of the Company, who has passed a national examination and been awarded a certificate.	Have work experience in the area of commerce, law, finance, accounting, or work experience needed by the Company	1	2	3	4	5	6	7	8		
Independent Director	Cheng-Ping Yu	V		V	V	V	V	V	V	V	V	V	None	None
Independent Director	Ya-Kang Wang		V	V	V	V	V	V	V	V	V	V	1	None
Others	Tien-Wei Shih	V		V	V	V	V	V	V	V	V	V	None	None

Note 1: Please state whether the person is a Director, an Independent Director, or other in the “Status” column.

Note 2: Check in each box with “✓”, if the member meets the condition during the two years prior to being appointed and during the term of office.

- (1) Not an employee of the company or any of its affiliates.
- (2) Not a director or supervisor of the Company or any of its affiliates. Not applicable to the independent director of any company, its parent company, or subsidiaries to which the Company holds more than 50% direct or indirect voting interest.
- (3) Not a natural-person shareholder who holds shares, together with those held by the person’s spouse, minor children, or held by the person under others’ names, in an aggregate amount of 1% or more of the total number of outstanding shares of the company or ranking in the top 10 in holdings.
- (4) Not a spouse, relative within the second degree of kinship, or lineal relative within the third degree of kinship, of any of the persons in the preceding three subparagraphs.
- (5) Not a director, supervisor, or employee of a corporate shareholder who directly holds 5% or more of the total number of outstanding shares of the company or who holds shares ranking in the top five holdings.
- (6) Not a director, supervisor, officer, or shareholder holding 5% or more of the shares, of a specified company or institution which has a financial or business relationship with the company.
- (7) Not a professional individual who is an owner, partner, director, supervisor, or officer of a sole proprietorship, partnership, company, or institution that provides commercial, legal, financial, accounting services or consultation to the Company or to any affiliate of the Company, or a spouse thereof.
- (8) Not been a person of any conditions defined in Article 30 of the Company Law.

Note 3: For members who have been identified as directors, further explanations are provided with regards to their applicability to Paragraph 5, Article 6 of “Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter”.

(2) Information of Operation Status of Remuneration Committee.

1. The Company’s Remuneration Committee consists of 3 members.

The Remuneration Committee is responsible for assisting the board of directors to establish the policy and relevant measures for the performance evaluation and salary/remuneration of directors, supervisors and managerial personnels of the Company according to the comprehensive consideration of factors of the business operation performance, individual performance, standard adopted in the same industry and future risk etc., and conducts periodic assessments. For the Remuneration Committee Charter of the Company, please refer to the Company's website.

Up to the end of April 2019, the Company has completed the review of the remuneration system of the Company. The 2018 directors' remuneration issuance plan and managers' remuneration issuance plan as well as the 2019 managerial personnel' salary adjustment proposal, and relevant review results will be submitted to the board of directors meeting for resolution and approval.

2. Term of office of the current Committee members: From August 2nd, 2018 to June 13, 2021. The Remuneration Committee held 2 meetings (A) in the most recent year, and details of members' eligibility and attendance are as follows:

Title	Name	Actual number of attendance (B)	Percentage of actual attendance (%) (B/A)	Remark
Convener	Ya-Kang Wang	2	100%	August 2nd, 2018 re-elected
Member	Cheng-Ping Yu	2	100%	August 2nd, 2018 re-elected
Member	Tien-Wei Shih	2	100%	August 2nd, 2018 re-elected
Other matters that shall be recorded:				
1. In the event where the Remuneration Committee's proposal is rejected or amended in a board of directors meeting, please describe the date and session of the meeting, details of the proposal, the resolution of the board of directors, and how the company had handled the Remuneration Committee's proposals (describe the differences and reasons, if any, should the board of directors approve a solution that was more favorable than the one proposed by the Remuneration Committee): None. 2. Should any member object or express qualified opinions to the resolution made by the Remuneration Committee, whether on-record or in writing, please describe the date and session of the meeting, details of the proposal, the entire members' opinions, and how their opinions were addressed: None.				

Note:

- (1) Date of resignation is shown for members of the Remuneration Committee who had resigned prior to the close of the financial year. The percentage of actual attendance (%) is calculated based on the number of Remuneration Committee meetings held and the number of meetings actually attended during active duty.
- (2) If a re-election of Remuneration Committee members had taken place prior to the close of the financial year, members of both the previous and the current Remuneration Committee will be listed; in which case, the remarks column will specify whether the committee member was elected in the previous board, the new board, or both. The percentage of actual (proxy) attendance (%) will be calculated based on the number of Remuneration Committees held during active duty and the number of actual (proxy) attendance.

(V) Fulfillment of social responsibilities:

Assessment criteria	Operation Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TPEx-Listed Companies
	Yes	No	Summary (Note 2)	
1. Implement corporate governance. (1) Does the Company have a CSR policy or system in place? Is progress reviewed on a regular basis?	V		The Company had established the “CSR Promotion Committee” in 2017 and has established the CSR system in order to allow various business development strategies of the Company to comply with the concept of CSR sustainable development and to implement the execution thereof. In addition, the implementation outcome is reviewed regularly and irregularly.	None
(2) Does the Company organize social responsibility training on a regular basis?	V		The Company organizes social responsibility training on a regular basis. Directors and employees continue participate in the guidance by FSC, and the professional training courses organized by the Accounting Research and Development Foundation and the Securies & Futures Institute etc.	None
(3) Does the Company have a unit that specializes (or is involved) in CSR practices? Is the CSR unit run by senior management and reports its progress to the board of directors?	V		The Company had established the “CSR Promotion Committee” in 2017, and the board of directors authorizes senior management level for handling the matter and to report the handling status to the board of directors. In 2018, a total of 6 meetings were convened. The annual plan and actual execution status will be reported to the board of directors.	None
(4) Does the Company have a reasonable salary and remuneration policy setup, have the employee performance evaluation system combined with CSR policies, and have a clear and effective reward and punishment system been established?		V	The Company has established a reasonable salary and remuneration policy; however, the employee performance evaluation system has not been integrated with the CSR policy. The Company has established unit with excellent outcome in social responsibility affairs, and reward system has been established.	None
2. Foster a sustainable environment. (I) Is the Company committed to achieving efficient use of resources, and using renewable materials that produce less impact on the environment?	V		The Company truly understands that it is common responsibility of humankind to protect the earth’s environment; therefore, for all aspects of the management, the Company considers the environmental protection. For example, for Eclat Fabrics (Vietnam) Co., Ltd., the plant is installed with wastewater and rainwater recovering equipment in order to recover the wastewater for reuse. The Company participates in the manufacturing industry	None

Assessment criteria	Operation Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TPEx-Listed Companies
	Yes	No	Summary (Note 2)	
			energy management demonstrative guidance project of the Industrial Development Bureau, MOEA. Dayuan Plant has gradually established the factory energy management system, and in each region of the facility, energy-saving and carbon-reduction teams have been established in order to set up environmental goal for continuous improvement. In addition, all members are requested to participate in the enhanced pollution prevention in order to comply with relevant environmental protection regulations.	
(2) Does the Company have an appropriate environmental management system established in accordance with its industrial character?	V		The Company has established the ISO 14001 environmental management system. Through the technique of PDCA, continuous improvement is implemented in order to reduce the environmental loading and to reduce impacts on the environment. In addition, a third party verification institution is appointed to verify the effectiveness of the system annually. In addition to the compliance with Taiwan government's environmental protection related regulations, the Company also satisfies various environmental protection requests made by customers in order to satisfy the expectation of the customers and the society.	None
(3) Does the Company pay attention to the impact of climate change on the operational activities, implement greenhouse gas check, and form an energy-saving, carbon-reduction, and greenhouse gas emissions reduction strategy?	V		Since the year of 2016, the Company has performed the greenhouse gas audit, including all of the domestic and overseas factory sites and the corporate headquarters. In 2017, the greenhouse gas emission verified by SGS is 122,782.060 tons. In 2018, the audit result indicates 126,272.652 tones. It is expected that in April 2019, the SGS will perform the external verification. In addition, the Company establishes the "Environmental Safety, Health and Energy Policy" and "Greenhouse Gas Emission Policy". In addition, the Company executes the energy-saving, carbon-reduction and greenhouse gas emission reduction policies according to the above. The Company sets the year of 2017 as a base year, and the goal for reduction of 5% of emission by the year of 2020.	None
3. Preserve public welfare. (I) Does the Company have the relevant	V		The Company complies with the local laws of each operating sites globally. The Company treats each current employee with respect	None

Assessment criteria	Operation Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TPEX-Listed Companies
	Yes	No	Summary (Note 2)	
management policies and procedures stipulated in accordance with the relevant laws and regulations and international conventions on human rights?			according to the internally recognized human rights standards of the “International Bill of Human Rights”, “Core Labor Standards of International Labour Convention” and the social responsibility standard system etc. as well as the local laws and regulations. Most importantly, in terms of the policy and management aspects, the Company has established management mechanism in order to protect the human rights of employees. The human rights policies of the Company are as follows: 1. Respect humanity/care employees 2. Prohibit and prevent discrimination 3. Fair employment 4. Prohibition on child labor. 5. Legitimate working hour management 6. Care for employees’ physical and mental health 7. Implement employee trainings and occupational development 8. Provide healthy and safe working environment	
(II) Does the Company have the complaint mechanism and channel established for employees and have it handled properly?	V		To ensure that the opinions of employees can be heard, when an employee of Eclat wishes to provide comments on relevant issues of labor management relationship, salary and welfare, occupational safety and health etc. related issues, he or she can submit named or unnamed feedback or complaint in order to allow the Human Resource Division to arrange dedicated personnel to provide assistance in the handling of such matter.	None
(III) Does the Company provide employees with a safe and healthy work environment, and provide safety and health education to employees regularly?	V		The Company rigorously complies with the workplace regulations including the “Occupational Safety and Health Act”, “Labor Health Protection Rules”. The Company establishes the “Eclat Corporate Environmental Safety, Health and Energy Policy” and also establishes the “Occupational Safety and Health Management System” according to the requirements of the occupational safety and health management systems of OHSAS 18000, CNS 15506 etc. Through complete PDCA occupational safety and health management system, the Company continues to improve the operating environment and prevents the occurrence of occupational injuries and diseases completely. The Company periodically implements the	None

Assessment criteria	Operation Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TPEx-Listed Companies
	Yes	No	Summary (Note 2)	
			occupational safety and health educational trainings, continuously monitors and improves the operating environment safety, provides employee routine health examination and personal protective gear, implement daily management in order to prevent occurrence of occupational injuries and diseases.	
(IV) Does the Company have established a mechanism of periodical communication with employees and have the employee notified in a reasonable manner regarding the potential impact of the operation changes?	V		The Company is committed to establish transparent and open employee communication channels in order to promote the harmonic labor management relationship with best effort. The Company upholds the management principles of autonomous management and full participation. Each department supervisor periodically engages in two-way communication through business meetings, production and sales meeting etc. In addition, the Company periodically implements employee feedback survey activity and organizes communication seminar in order to allow employees to raise questions and to provide recommendations. In addition, the Company also establishes local labor union at the region of Vietnam in order to construct effective two-way communication bridge.	None
(V) Does the Company have an effective career capacity development training program established for the employees?	V		To ensure that employees are able to receive trainings and knowledge necessary for their professions and occupational demands, the educational training plans for Eclat's employees are proposed by each level of supervisor at the end of each year according to the requests of their business units and staff, thereby proposing the work training plan and budget of each unit for next year. To further improve the educational training system, Eclat reviews the TTQS quality assessment provisions and the ISO 9001 quality management system requirements in order to design the training quality management system. Perform systematic supervision and management in the planning and execution process of the annual educational training plan in order to guarantee the training quality. The level of participation of employees in the educational trainings is also listed into the annual performance evaluation and is used as a reference basis for the consideration of future promotion and job duty adjustment.	None

Assessment criteria	Operation Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TPEX-Listed Companies
	Yes	No	Summary (Note 2)	
(VI) Has the Company implemented consumer protection and grievance procedures with regards to its research and development, procurement, production, operation and service processes?	V		For the research and development, procurement, production, operation and service processes, the Company establishes the inspection procedure, including the use of non-toxic dyes, metal testing probe, autonomous or third party verification institution to conduct test reports etc. in order to ensure the rights and benefits of consumers. Provide consumer complaint channel, and for complaints filed by consumers, provide response and improvement immediately.	None
(VII) Has the Company complied with laws and international standards with regards to the marketing and labeling of products and services?	V		The product sales targets of the Company are international brand makers, and the products provided by the Company shall comply with relevant regulations and international standards.	None
(VIII) Does the Company evaluate suppliers' environmental and social conducts before commencing business relationships?	V		In view of the importance of environmental protection, the Company and suppliers have been promoting the green environment-friendly materials and fabrics for a long time, such as organic cotton, recycled fibers etc. The Company requests suppliers to submit declaration in order to demonstrate the commitment to the non-toxic manufacturing of textiles. To ensure the sound cooperation with suppliers, the Company requests all suppliers to comply with the local environmental protection, labor criteria and human rights related laws as well as the ethical corporate management best practice principles of Eclat, as well as to relevant permit certificates for the registration, waste water and air pollution emission.	None
(IX) Is the Company entitled to terminate supply agreement at any time with a major supplier, if the supplier is found to have violated its CSR and caused significant impacts against the environment or the society?	V		In 2017, the Company had officially established the "CSR Best Practice Principles" and has explicitly specifies that the contract content of suppliers shall include statements for the fulfillment of environmental and social responsibility, and the impacts of the suppliers on the overall environment and society is incorporated into the assessment in order to prevent occurrence of matters violating the CSR. Eclat had completed the supplier contract revision in 2017 and subsequently updates the supplier contract. It is expected that in 2019, the signing of	None

Assessment criteria	Operation Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TPEx-Listed Companies
	Yes	No	Summary (Note 2)	
			updated contracts by all of the outsourcing suppliers will be completed.	
4. Enhance information disclosure (I) Has the Company disclosed relevant and reliable CSR information on its website and at the Market Observation Post System?	V		The Company has published relevant information periodically on the Company's website and MOPS.	None
V. Where the Company establishes its own CSR according to the "Corporate Social Responsibility Best Practice Principles for TWSE/GTSM Listed Companies", please describe the discrepancy between its operation and the principles established: The Company has established the "CSR Best Practice Principles" and has established the "CSR Promotion Committee" in order to allow various business development strategies of the Company to further comply with the concept of corporate social responsibility sustainable development and implementation of the execution thereof.				
VI. Other important information to facilitate the understanding of CSR operation: 1. Eclat is deeply rooted in Taiwan, and the global logistics center is located at Wugu District of New Taipei City and there are factories located at Dayuan District, Taoyuan City, and Houlong Township, Miaoli County etc., creating job opportunities locally. 2. The Company establishes the industry-university collaboration relationship with various universities and colleges with the National Taiwan Normal University, Fu Jen Catholic University, Shih Chien University, Oriental Institute of Technology, Chinese Culture University etc. In 2018, the Company provided eight students of three universities with the paid internship opportunities at the company, and seven of them became company's full-time regular employee. In addition the business management level also participates in various seminar courses in light of cultivating textile industry talents and to providing students with practical participation experience. 3. Overseas factories offers scholarships in order to encourage factory staff children with outstanding academic achievements. 4. For a consecutive of 8 years, Eclat clothing design contest has been held in order to improve the creativity and beauty of sports recreation clothing industry, to discover domestic outstanding design talents and to activate the industry overall atmosphere. In 2018, the Company jointly organized the clothing design contest with the Eclat Education Foundation in order to provide a total prize reaching NT\$ 1.53 million, and approximately 600 outstanding design talents participated in the contest. 5. The headquarter and factory sites are established with employee fitness center, and the 2016 and 2018 sports enterprise certifications were received from Sports Administration, Ministry of Education. 6. Community Interaction: (1) Dayuan plant: adopts the upstream section of the Laojchieh River at Taoyuan City, and periodically inspects the cleanness as well as river section maintenance operation. (2) Miaoli Plant: participates in the Houlong Township community neighborhood caring activities, the Company sponsors approximately NT\$ 426,160 in community environmental services (21 times) and NT\$ 331,250 in the nearby elementary school (four elementary schools) activities. In addition, the Company invests a total of 14 personnel, 50 service hours in helping cleaning up the neighborhood environment. (3) Hsichou Plant: participates in the Houlong Township neighborhood caring activities. The company invests approximately NT \$ 1,794,000 in the sponsorship of the Agriculture Exhibition, Citizens Sports Games, and sponsors approximately NT\$ 74,000 in activities held by nearby elementary school (5 elementary schools) activities and community environmental service. In addition, the company also				

Assessment criteria	Operation Status (Note 1)			Deviation and causes of deviation from Corporate Social Responsibility Best Practice Principles for TPEX-Listed Companies
	Yes	No	Summary (Note 2)	
sponsors NT\$54,000 in local police and fire department activities.				
VII. If the CSR report qualifies relevant certification standard of verification institutes, should provide further detail: The Company entrusts the independent KPMG with credibility to assist the Company to perform limited assurance according to the report prepared by GRI Standards, Assurance Standards No. 1 “Non-historical Financial Information Audit or Review Assurance Cases” announced by the Accounting Research and Development Institute (established based on ISAE300), and to issue the limited assurance report of independent auditor.				

Note 1: Regardless of whether “Yes” or “No” is checked for the operation status, description shall be provided at the summary explanation field.

(VI) The status of the Company's fulfillment of ethical corporate management and measures adopted:

Assessment criteria	Implementation status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TPEx-Listed Companies
	Yes	No	Explanation	
1. Establishing ethical management policies and plans (I) Has the Company stated in its Memorandum or external correspondence about the policies and practices it has to maintain business integrity? Are the board of directors and the management level committed to fulfilling this commitment?	V		The board of directors and management level of the Company uphold the principle of ethics to establish the Ethical Corporate Management Best Practice Principles, actively implement ethical management policies.	None
(II) Does the company have any measures prevent unethical conducts? Are these measures supported by proper procedures, behavioral guidelines, disciplinary actions and complaint systems, and are executed properly?	V		The Company performs educational trainings on employees in order to prevent unethical conducts. The operation status is proper, and in the employee management rules, the rules specifies relevant requirements.	None
(III) Has the Company taken steps to prevent occurrences listed in Paragraph 2, Article 7 of "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies" or business events that are prone to risk of unethical conduct?	V		The Company has established the ethical corporate management best practice principles, and gradually requests suppliers to sign the anti-corruption policy declaration in order to prevent operations risk due to unethical management.	None
2. Implement ethical policies (I) Does the Company evaluate the integrity of all counter parties it has business relationships with? Are there any integrity clauses in the agreements it signs with business partners?	V		For the business activities of the Company, dealings with parties with unethical records are prevented. Before dealings with suppliers, the suppliers are requested to sign the anti-corruption policy declaration in order to ensure ethical conducts.	None
(II) Does the Company have a unit established under the board of directors that specializes (or is involved) in business integrity? Does this unit report its progress to the board of directors on a regular basis?	V		The Company had established the "CSR Promotion Committee" in 2017, and under its organizational structure, it establishes the adjunct unit to promote the corporate ethical management, and provides reports to the board of directors on relevant execution status regularly.	None

Assessment criteria	Implementation status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TPEX-Listed Companies
	Yes	No	Explanation	
(III) Does the Company have any policy that prevents conflict of interest, and channels that facilitate the reporting of conflicting interests and is executed properly?	V		The Company provides appropriate communication channels to prevent conflict of interest or occurrence of unethical conducts.	None
(IV) Has the Company implemented effective accounting and internal control systems for the purpose of maintaining ethical operation? Are these systems reviewed by internal or external auditors on a regular basis?	V		To implement ethical management, the Company has established relevant accounting system, internal control system and audit unit to perform audits, and the operation status is proper.	None
(V) Has the Company provided internal and external educational training on ethical operation on a regular basis?	V		The Company has provided internal and external educational training on ethical operation on a regular basis.	None
3. Reporting of misconducts (I) Does the Company provide incentives and means for employees to report misconducts? Does the Company assign dedicated personnel to investigate the reported misconducts?	V		The Company establishes the whistleblowing channel and punishment as well as complaint filing system for violation of ethical management rules, and the operation status thereof is proper.	None
(II) Has the Company implemented any standard procedures of investigations or confidentiality mechanisms for handling reported misconducts?	V		The Company has implemented any standard procedures of investigations or confidentiality mechanisms for handling reported misconducts.	None
(III) Has the Company provided proper whistleblower protection from inappropriate handling?	V		The Company has provided proper whistleblower protection from inappropriate handling.	None
4. Enhance information disclosure Has the Company disclose the content of the ethical corporate management best practice principles and their implementation results on its website and the MOPS?	V		Please refer to the official website of the Company.	None
V. If the Company establishes its own ethical corporate management best practice principles according to the “Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies”, please describe the discrepancy between its operation and the Company’s ethical corporate management best practice principles: The Company has established the “Ethical Corporate Management Best Practice Principles” and has been approved by the board of directors in order to ensure the directors, managerial personnel and employees of the Company properly comply with relevant rules, and it has been executed according to the regulations established.				
VI. Other important information that is helpful in understanding the ethical corporate management operation of the Company? (Such as, the Company reviews the amendment of the ethical corporate				

Assessment criteria	Implementation status			Deviation and causes of deviation from Ethical Corporate Management Best Practice Principles for TPEX-Listed Companies
	Yes	No	Explanation	
management best practice principles etc.): None.				

(VII) If the Company has established corporate governance principles or other relevant guidelines, references to such principles must be disclosed:

The Company has established the “Corporate Governance Principles” and the “Procedures for Prevention of Insider Trading and Handling Material Inside Information” and has approved by the board of directors for execution in order to ensure the directors, managerial personnel and employees of the company to comply with relevant rules in light of establishing proper handling and disclosure mechanism for material inside information of the company, thereby preventing improper disclosure of information and ensuring the consistency and accuracy of the information announced by the company to the external.

(VIII) Other important information to understanding of corporate governance within the Company: None.

(IX) Disclosures relating to the execution of internal control policies:

1. Internal Control system Statement:

Eclat Textile Co., Ltd.
Statement of Internal Control System

Date: March 14, 2019

According to the Company's internal control policy, The following statement had been made based on the results of self-assessment in 2018:

1. The Company acknowledges and understands that it is the Board of Directors' and the management team's responsibility to establish, implement, and sustain an internal control system, and that such a system has already been established throughout the Company. The purpose of this system is to provide reasonable assurance in terms of business performance, efficiency (including profitability, performance, asset security etc.), reliable, timely and transparent financial reporting, and compliance of relevant regulations and relevant laws etc.
2. The internal control system has inherent limitations, no matter how comprehensively it is well-designed. As such, an effective internal control system can only reasonably assure achievement of the three goals mentioned above. Furthermore, changes in the environment and circumstances may all affect the effectiveness of the internal control system. However, self-supervision measures were embedded within the internal control system and it is able to facilitate immediate rectification once flaws have been identified.
3. The Company evaluates the effectiveness of its internal control policy design and execution based on the criteria specified in "Regulations Governing Establishment of Internal Control Systems by Public Companies" (hereinafter referred to as the "Regulations"). The criteria introduced by the "Regulations" consisted of five major elements, each representing a different stage of internal control: 1. Control environment, 2. Risk evaluation, 3. Control procedures, 4. Information and communication, 5. Supervision activities. Each element further contains several items. Please refer to the Regulations for the details.
4. The Company adopted the above-mentioned criteria to evaluate the effectiveness of its internal control policy design and execution.
5. Based on the assessments described above, the Company considered the design and execution of its internal control system to be effective as at December 31, 2018. This system (including the supervision and management of the Company's subsidiaries) has provided assurance with regards to the Company's business results, target accomplishments, reliability, timeliness and transparency of reported financial information, and its compliance with relevant laws.
6. This Statement constitutes a part of the Company's annual report and prospectus, and shall be disclosed to the public. Any illegal misrepresentation or non-disclosure in the public statement above are subject to legal consequences described in Articles 20, 32, 171, and 174 of the Securities and Exchange Act.
7. This Statement was approved by the Company's board of Directorson March 14, 2019. None of the 11 board directors present to the meeting held any objections, and unanimously agreed to the contents of this Statement.

Eclat Textile Co., Ltd.

Chairperson: Signature

President: Signature

2. If the internal control policy was reviewed by an external auditor, the result of such review must be disclosed: None.

- (X) Penalties imposed against the Company for regulatory violation, or penalties against employees for violation of internal control policy in the most recent year up till the publication date of this annual report; describe areas of weakness and any corrective actions taken: None.
- (XI) Major resolutions made by the Shareholders' Meeting and the Board of Directors during the latest financial year up until the publication date of this annual report:
1. The 2018 Annual General shareholders' meeting was convened on June 14, 2018 in Miaoli. Resolutions of attending shareholders and execution status are as follows:
 - (1) Adoption of 2017 Business Report and Financial Statements.
Execution status: Approved through resolution.
 - (2) Adoption of the Proposal for 2017 appropriation of profits.
Execution status: Approved through resolution. In addition, according to the resolution of the shareholders' meeting, the date of July 15, 2018 was the ex-dividend base date, and completed the profit appropriation for the issuance of cash dividend of NT\$ 2,606,487,555.
 - (3) Proposal for re-election of board of directors.
Execution status: The elected directors include the 8 directors of Cheng-Hai Hung, Chien-Chin Tsai, Li-Chen Wang, Shou-Tsun Yeh, Kun-Tang Chen, Jen-Chieh Lo, Shu-Wen Wang, Yih-Yuan Investment Corp. Representative-Kuo-Sung Hsieh, and the 3 independent directors of Yea-Kang Wang, Cheng-Ping Yu, Nai-Ming Liu, for a total of 11 directors. In addition, Cheng-Hai Hung is elected to the Chairman consecutively.
 - (4) Propopsal Cancellation of non-compete restriction clauses for new directors of the Company.
Execution status: Approved through resolution, and execution according to the result ion of the shareholders' meeting has been completed.
 2. Major resolutions made by the Board of directors' Meeting for 2018 and up to the printing date of the annual report:
 - (1) Board of directors' meeting on January 18, 2018:
 1. Approved the proposal of 2016 employees' remuneration appropriation.
 2. Approved the proposal of 2017 managerial personnel year-end bonus reviewed by the Remuneration Committee.
 3. Approved 2018 endorsement and guarantee matters of the Company.
 4. Approved the proposal of 2018 the Company's subsidiary loaning of funds and affiliates limit.
 5. Approved 2018 the Company and financial institution financing limit.
 6. Approved 2018 business plan - financial budget proposal.
 7. Approved the proposal of 2018 financial statements and independent auditor entrustment.
 8. Approved the proposal of Grand Elite Holdings Inc. capital reduction for reducing loss and return of share capital.
 9. Approved the proposal of Eclat Cayman Islands Holdings capital reduction for reducing loss.

Execution status: Already handled completely according to the resolution of the board of directors' meeting.
 - (2) Board of directors' meeting on March 15, 2018:
 1. Adoption of 2017 Business Report and Financial Statements.
 2. Approved the proposal of 2017 earnings distribution.
 3. Approved the proposal of 2017 Employees' remuneration appropriation.

4. Approved the proposal of the Company's 2017 annual general shareholders' meeting convention.
 5. Approved the 2018 director's re-election proposal and proposed a list of independent director candidate roster.
 6. Approved 2017 internal control system effectiveness review and issued the Internal Control System Statements.
 7. Approved the enrollment of liability insurance for directors and managerial personnel.
 8. Approved the proposal of introduction of IFRS 16 "Lease" execution assessment.
 9. Approved the facility expansion of Eclat Fabrics (Vietnam) Co.,Ltd
- Execution status: Already handled completely according to the resolution of the board of directors' meeting.

(3) Board of directors' meeting on May 3, 2018:

1. Reviewed the list of independent director nominee.
2. Approved the cancellation of "Non-compete restriction for directors" specified in Article 209 of the Company Act for new directors.
3. Approved the proposal for the donation of NT\$ 2 million to Eclat Education Foundation.
4. Approved the proposal of Hsichou digital printing plant civil construction budget change.

Execution status: Already handled completely according to the resolution of the board of directors' meeting.

(4) Board of director's meeting on June 14, 2018:

1. Proposed and elected Cheng-Hai Hung to assume the Chairman consecutively.

Execution status: Already handled completely according to the resolution of the board of directors' meeting.

(5) Board of directors' meeting on August 2, 2018:

1. Approved the employment of Remuneration Committee member proposal of the Company
2. Approved the change of deputy spokesperson of the Company.
3. Approved the establishment of corporate governance personnel for the Company.
4. Approved the proposal of adjustment for increasing accounts receivable transfer limit.

Execution status: Already handled completely according to the resolution of the board of directors' meeting.

(6) Board of directors' meeting on November 6, 2018:

1. Approved the 2019 audit plan proposal.
2. Approved the amendment to "Regulations for Performance Evaluation of Board of Directors and Functional Committees" of the Company.
3. Approved the amendment to the "Corporate Governance Best Practice Principles" of the Company.

Execution status: Already handled completely according to the resolution of the board of directors' meeting.

(7) Board of directors' meeting on January 14, 2019:

1. Approved the proposal of 2017 employees' remuneration appropriation.
2. Approved the proposal of 2018 managerial personnel year-end bonus reviewed by the Remuneration Committee.
3. Approved 2019 endorsement and guarantee matters of the Company.
4. Approved the proposal of 2019 the Company's subsidiary loaning of funds and affiliates limit.
5. Approved the proposal of 2019 the Company and financial institution financing limit.
6. Approved the proposal of 2019 business plan - financial budget.
7. Approved proposal of 2019 financial statements and independent auditor entrustment.
8. Approved the proposal of procurement for additional machines and equipments in Hsichou Plant of the Company.

Execution status: Except that No. 5 to No. 7 proposals are still in the process of execution, the rest of proposals have already been executed completely according to the resolution of the board of directors' meeting.

(8) Board of director's meeting on March 14, 2019:

1. Adoption of 2018 Business Report and Financial Statements.
2. Approved the proposal of 2018 earnings distribution.
3. Approved the proposal of 2018 Employees' remuneration appropriation.
4. Approved the proposal of the Company's 2018 annual general shareholders' meeting convention.
5. Approved the amendments to the Company's "Articles of Incorporation".
6. Approved the amendment to the Company's "Procedures for Acquisition and Disposal of Assets".
7. Approved 2018 internal control system effectiveness review and issued the Internal Control System Statements.
8. Approved the enrollment of liability insurance for directors and managerial personnel.
9. Approved the budget and contracting works for the operation headquarter building construction.

Execution status: Except that the first six proposals are still pending for the adoption, resolution or report of the shareholders' meeting, and Proposal No. 9 continues to be executed in process the rest of proposals have already been executed completely according to the resolution of the board of directors' meeting.

(9) Board of directors' meeting on May 7, 2019:

1. Approved the proposal for the amendments to the Company's "Regulations for Making of Endorsements and Guarantees".
2. Approved the proposal for the amendments to the Company's "Operational Procedures for Loaning Funds to Other".
3. Approved the proposal for the donation of NT\$ 2 million to Eclat Education Foundation.

Execution status: The first two proposals are still pending for the resolution of the shareholders' meeting, and No. 3 proposals is in the process of execution.

(XII) Documented opinions or written statement made by Directors or Supervisors against board resolutions in the most recent year, up till the publication date of this annual report: None.

(XIII) Resignation or discharge of the Chairman, President, head of accounting, head of finance, chief internal auditor, or head of R&D in the most recent year up till the publication date of this annual report: None.

3.4 Information Regarding the Company's Audit Fee and Independence

(I) Audit Fees:

1. The content of the amounts of both audit and non-audit fees and the details of the non-audit services for non-audit fees paid to the CPA, to the accounting firm of the CPA, and to any affiliated enterprise of such accounting firm are equivalent to one quarter or more of the audit fees paid:

Name of CPA firm	Name of CPA		Audit period	Remark
KPMG	Hsin-Yi Kuo	Hsiu-Lan Chen	January 1 to December 31, 2018	None

Note: If the Company changes independent auditor or accounting firm in the current year, please respectively indicate their respective audit period, and provide explanation on the reasons of such change in the remarks field.

Unit: NT\$1,000

CPA Name	Audit Fee	Non-audit fees					CPA's Audit Period	Remark
		System Design	Company Registration	Human Resource	Others (Note)	Sub-total		
Hsin-Yi Kuo	4,650	0	10	0	2,000	2,010	January 1 to December 31, 2018	Non-audit service includes the transfer pricing report/CSR report
Hsiu-Lan Chen								

- (II) When the accounting firm is changed and the audit fees paid for the financial year in which the change took place are lower than those paid for the financial year immediately preceding the change, the amount of the audit fees before and after the change and the reason shall be disclosed: None.
- (III) When the audit fees paid for the current financial year are lower than those paid for the immediately preceding financial year by 15 percent or more, the amount and percentage of and reason for the reduction in audit fees: None.

3.5 Information regarding Change of CPA: None.

- (I) Information relating to the former CPAs: Not applicable.
- (II) Information relating to the successor CPAs: Not applicable.
- (III) Replay of former auditor to item 1 and item 2-3 of Subparagraph 5 of Article 10 of these Regulations: Not applicable.

3.6 The Company's chairman, president or managers in charge of finance and accounting operations, who holds any positions within the CPA firm or its affiliates in the most recent year, the name, job title and the employment period at the independent audit firm or its affiliates: None.

3.7 Transfer or pledge of stock rights of directors, supervisors, managers, shareholder with a stake of more than 10 percent in the most recent fiscal year and up till the publication date of this annual report:

(1) Equity transfer and change status of directors, supervisors, managerial personnel and major shareholders:

Unit: share

Title	Name	2018		2019 up to the date of April 20	
		Increase (decrease) of shareholding	Increase (decrease) of pledged shares	Increase (decrease) of shareholding	Increase (decrease) of pledged shares
Chairman and R&D Supervisor	Cheng-Hai Hung	0	0	0	0
Director	Li-Chen Wang	0	0	0	0
Director	Hsien-Chin Tsai	0	0	0	0
Director and President	Kun-Tang Chen	0	0	0	0
Director	Yih-Yuan Investment Corp.	0	0	0	0
	Representative- Kuo-Sung Hsieh	0	0	0	0
Director	Shou-Tsun Yeh	0	0	0	0
Director and Vice President	Jen-Chieh Lo	0	0	0	0
Director and Vice President	Shu-Wen Wang	0	0	0	0
Independent Director	Yea-Kang Wang	0	0	0	0
Independent Director	Cheng-Ping Yu	0	0	0	0
Independent Director	Nai-Ming Liu	0	0	0	0
President	Chun-Chin Tsai	0	0	0	0
Vice President	Sheng-Tien Lee	-20,000	0	-4,565	0
Vice President	Cheng-Chin Tsai	0	0	0	0
Vice President	Li-Fen Cheng	0	0	-5,000	0
Assistant Vice President	Jui-Li Fang	-4,623	0	0	0
Assistant Vice President	Chia-Chun Chiang	-692	0	0	0
Assistant Vice President	Ping-Chi Hsu	0	0	-10,000	0
Assistant Vice President	Lai-Kuei Chen	0	0	-10,000	0
Assistant Vice President	Hao-He Chen	0	0	0	0
Assistant Vice President	Lien-Tsai Chen	-2,000	0	0	0
Assistant Vice President	Wei-Yeh Huang	0	0	0	0
Assistant Vice President	Shih-Tu Chen	0	0	0	0
Assistant Vice President	Chu-Chang Ou	0	0	0	0
Assistant Vice President	Jui-Ting Hung	0	0	0	0
Assistant Vice President	Heng-Wei Hsu	-5,000	0	-2,000	0
Assistant Vice President	Chi-Feng Huang	0	0	0	0

(2) Equity transfer information:

Name	Reason of equity transfer	Transaction date	Transaction counterparty	Relationship of transaction counterparty with the Company, directors, supervisors and shareholders with shareholding percentage exceeding 10%	Number of shareholding	Transaction price
None	-	-	-	None	-	-

(3) The information of Pledge of Stock Rights:

Name (Note 1)	Reason of change of pledge (Note 2)	Date of change	Transaction counterparty	Relationship of transaction counterparty with the Company, directors, supervisors and shareholders with shareholding percentage exceeding 10%	Number of shareholding	Percentage of Shareholding Ratio	Percentage of Pledge Ratio	Pledge (redemption) amount
Hsien-Chin Tsai	Pledge	24, 5, 2017	Chang Hwa Commercial Bank Mucha Branch	None	700,000	7.89%	3.24%	NT\$ 100 million
Hsien-Chin Tsai	Redeemed	23, 3, 2018						(NT\$ 20 million)

Note 1: Information on the name the Company's directors, supervisors, managers and shareholders with shareholding percentage exceeding 10%.

Note 2: Information on pledge or redemption.

3.8 Relationship among the Top 10 Shareholders:

Name	Current shareholding		Spouse and Minor Children Current shareholding		Under Names of Others Shareholding		Relationship characterized as spouse or the second degree relative or closer among the top 10 shareholders.		Remark
	Number of shareholding	Percentage of Shareholding Ratio	Number of shareholding	Percentage of Shareholding Ratio	Number of shareholding	Percentage of Shareholding Ratio	Name	Relation	
Yih-Yuan Investment Corp. - Jui-Ting Hung	25,790,335	9.40%	0	0	0	0	Cheng-Hai Hung Ching-Fang Chen	First-degree relative	
Hsien-Chin Tsai	21,634,993	7.89%	0	0	0	0	None	None	
Ching-Fang Chen	9,543,332	3.48%	9,035,318	3.29%	0	0	Cheng-Hai Hung Jui-Ting Hung	Spouses First-degree relative	
Cheng-Hai Hung	9,035,318	3.29%	9,543,332	3.48%	0	0	Ching-Fang Chen Jui-Ting Hung	Spouses First-degree relative	
Chin-Chih Wang Cheng	8,362,129	3.05%	7,932,435	2.89%	0	0	Li-Chen Wang	Spouses	
Li-Chen Wang	7,932,435	2.89%	8,362,129	3.05%	0	0	Chin-Chih Wang Cheng	Spouses	
Nan Shan Life Insurance Co., Ltd.- Ying Tsung Tu	6,897,000	2.51%	0	0	0	0	None	None	
Cathay Life Insurance Co. Ltd. – Tiao Kuei Huang	5,975,540	2.18%	0	0	0	0	None	None	
New labor pension fund	5,323,400	1.94%	0	0	0	0	None	None	
Harding Loevner Institutional Emerging Markets Portfolio Fund	4,819,031	1.76%	0	0	0	0	None	None	

3.9 Comprehensive Shareholding Percentage:

Unit: In Thousand Shares, %

Investee	Held by the Company		Held by Directors, Supervisors, managers, and directly or indirectly controlled entities		Aggregate investment	
	Number of shareholding	Percentage of Shareholding	Number of shareholding	Percentage of Shareholding	Number of shareholding	Percentage of Shareholding
Grand Elite	35	100%	—	—	35	100%
Eclat Cayman	123,759	100%	—	—	123,759	100%
ECLAT TEXTILE (CAMBODIA) CO., LTD.	8,000	100%	—	—	8,000	100%
Eclat Enterprise	1	100%	—	—	1	100%
TAI-YUAN GARMENTS CO., LTD.	6,800	100%	—	—	6,800	100%
COLLTEX GARMENT MFY CO., LTD.(VN)	16,800	100%	—	—	16,800	100%
E-TOP (VIETNAM) CO., LTD	36,000	100%	—	—	36,000	100%
ECLAT TEXTILE CO., LTD (VIETNAM)	22,000	100%	—	—	22,000	100%
ECLAT FABRICS CO., LTD (VIETNAM)	40,000	100%	—	—	40,000	100%
Unison (Wuxi) Textile Garment Co., Ltd. (Note 1)	Note 2	100%	—	—	Note 2	100%

Note 1: According to the resolution of the board of directors' meeting on December 7, 2016, the Company decided to end the business of Unison (Wuxi) Textile Garment Co., Ltd., and the liquidation procedure is currently in process.

Note 2: There is no issuance of shares; therefore, the equity ratio fields expressed in investment contribution ratio.

IV. Capital Overview

4.1 Capital and Shares

1. Source of capital

Year/Month	Issuance Price	Authorized capital		Paid-in capital		Remark		
		Number of shareholding	Amount	Number of shareholding	Amount	Source of capital	Property other than cash provided as capital contributions	Others
1977.11	1,000	500	500,000	500	500,000	Registration	-	-
1981.09	1,000	1,000	1,000,000	1,000	1,000,000	Cash capital increase	-	-
1987.11	1,000	7,000	7,000,000	7,000	7,000,000	Cash capital increase	-	-
1988.08	1,000	52,000	52,000,000	52,000	52,000,000	Cash capital increase	-	-
1991.03	1,000	65,333	65,333,000	65,333	65,333,000	Capitalization of earnings	-	-
1992.03	1,000	110,333	110,333,000	110,333	110,333,000	Cash capital increase of NT\$ 9,000,000 Capitalization of earnings of NT\$ 15,000,000 Creditor's right for payment of shares of NT\$ 21,000,000	-	-
1992.12	10	19,500,000	195,000,000	19,500,000	195,000,000	Cash capital increase of NT\$ 44,667,000 Capitalization of earnings of NT\$ 40,000,000	-	-
1997.06	10	160,000,000	1,600,000,000	72,430,896	724,308,960	Cash capital increase of NT\$ 200,000,000 Capitalization of earnings of NT\$ 156,000,000 Consolidated capital increase of NT\$ 173,308,960	-	(1997) Tai-Tsai-Zheng(1) No. 51666 Letter
1998.09	10	160,000,000	1,600,000,000	79,673,986	796,739,860	Capitalization of earnings of NT\$ 72,430,900	-	(1998) Tai-Tsai-Zheng(1) No. 59366 Letter
1999.08	10	160,000,000	1,600,000,000	86,047,896	860,478,960	Capitalization of earnings of NT\$ 63,739,100	-	(1999) Tai-Tsai-Zheng(1) No. 63075 Letter
2000.09	10	160,000,000	1,600,000,000	91,210,766	912,107,660	Capitalization of earnings of NT\$ 51,628,700	-	(2000) Tai-Tsai-Zheng(1) No. 60720 Letter
2004.08	10	160,000,000	1,600,000,000	95,771,304	957,713,040	Capitalization of earnings of NT\$ 45,605,380	-	Tai-Tsai-Zheng(1)-Zi No. 0930128923

Year/Month	Issuance Price	Authorized capital		Paid-in capital		Remark		
		Number of shareholding	Amount	Number of shareholding	Amount	Source of capital	Property other than cash provided as capital contributions	Others
2005.06	10	160,000,000	1,600,000,000	109,179,286	1,091,792,860	Capitalization of earnings of NT\$ 134,079,820	-	Jin-Guan-Zheng-Yi-Zi No. 0940125666
2005.12	10	160,000,000	1,600,000,000	129,179,286	1,291,792,860	Cash capital increase of NT\$ 200,000,000	-	Jin-Guan-Zheng-Yi-Zi No. 0940148057
2006.07	10	160,000,000	1,600,000,000	143,389,007	1,433,890,070	Capitalization of earnings of NT\$ 142,097,210	-	Jin-Guan-Zheng-Yi-Zi No. 0950132152
2007.06	10	250,000,000	2,500,000,000	159,161,797	1,591,617,970	Capitalization of earnings of NT\$ 157,727,900	-	Jin-Guan-Zheng-Yi-Zi No. 0960033202
2007.07	10	250,000,000	2,500,000,000	184,161,797	1,841,617,970	Cash capital increase of NT\$ 250,000,000	-	Jin-Guan-Zheng-Yi-Zi No. 0960032162
2008.09	10	250,000,000	2,500,000,000	189,686,651	1,896,866,510	Capitalization of earnings of NT\$ 55,248,540		Jin-Guan-Zheng-Yi-Zi No. 0970033483
2009.09	10	250,000,000	2,500,000,000	193,480,384	1,934,803,840	Capitalization of earnings of NT\$ 37,937,330		Jin-Guan-Zheng-Fa-Zi No. 0980033696
2010.09	10	250,000,000	2,500,000,000	199,284,795	1,992,847,950	Capitalization of earnings of NT\$ 58,044,110		Jin-Guan-Zheng-Fa-Zi No. 0990039425
2011.09	10	250,000,000	2,500,000,000	211,241,882	2,112,418,820	Capitalization of earnings of NT\$ 119,570,870		Jin-Guan-Zheng-Fa-Zi No. 1000036962
2012.09	10	300,000,000	3,000,000,000	226,028,813	2,260,288,130	Capitalization of earnings of NT\$ 147,869,310		Jin-Guan-Zheng-Fa-Zi No. 1010030287
2012.10	10	300,000,000	3,000,000,000	246,028,813	2,460,288,130	Cash capital increase of NT\$ 200,000,000		Jin-Guan-Zheng-Fa-Zi No. 1010030728
2013.09	10	300,000,000	3,000,000,000	250,949,389	2,509,493,890	Capitalization of earnings of NT\$ 49,205,760		Jin-Guan-Zheng-Fa-Zi No. 1020029077
2014.09	10	300,000,000	3,000,000,000	260,987,364	2,609,873,640	Capitalization of earnings of NT\$ 100,379,750		Jin-Guan-Zheng-Fa-Zi No. 1030027248
2016.02	10	300,000,000	3,000,000,000	268,987,364	2,689,873,640	Cash capital increase of NT\$ 80,000,000		Jin-Guan-Zheng-Fa-Zi No. 1040046754
2017.09	10	300,000,000	3,000,000,000	274,367,111	2,743,671,110	Capitalization of earnings of NT\$ 53,797,470		Report effective date of June 22, 2017

Unit: share

Type of share	Authorized capital			Remark
	Outstanding shares	Unissued shares	Total	
Common shares	274,367,111	25,632,889	300,000,000	-

2. Shareholders structure:

April 20, 2019

Structure Quantity	Government agencies	Financial institute	Other juridical persons	Individuals	Foreign institutions and foreign individuals	Total
Number of shareholders	5	24	149	7,050	652	7,880
Number of shareholding	9,152,016	19,862,908	48,422,344	89,878,541	107,051,302	274,367,111
Percentage of Shareholding	3.34%	7.24%	17.64%	32.77%	39.01%	100.00%

Note: The shareholding percentage of Mainland China investment shall be disclosed. The “Mainland China Investment” refers to the people, corporate, organization, other institutions or companies invested at third region specified in Article 3 of the Regulations Governing Permission for People from the Mainland Area to Invest in Taiwan.

3. Shareholding distribution status:

April 20, 2019

Class of shareholding	Number of shareholders	Number of shareholding	Percentage of Shareholding %
1~999	4,697	492,857	0.18
1,000~5,000	2,195	3,709,110	1.35
5,001~10,000	257	1,842,807	0.67
10,001~15,000	106	1,292,261	0.47
15,001~20,000	70	1,245,158	0.45
20,001~30,000	108	2,702,148	0.98
30,001~50,000	103	4,025,826	1.47
50,001~100,000	103	7,554,059	2.75
100,001~200,000	76	11,017,246	4.02
200,001~400,000	62	17,024,772	6.21
400,001~600,000	33	16,231,942	5.92
600,001~800,000	12	8,083,557	2.95
800,001~1,000,000	5	4,340,822	1.58
1,000,001 and above	53	194,804,546	71
Total	7,880	274,367,111	100.00

4. List of major shareholders:

Shareholding	Number of shareholding	Percentage of Shareholding %
List of major shareholders		
Yih-Yuan Investment Corp. - Jui-Ting Hung	25,790,335	9.40%
Hsien-Chin Tsai	21,634,993	7.89%
Ching-Fang Chen	9,543,332	3.48%
Cheng-Hai Hung	9,035,318	3.29%
Chin-Chih Wang Cheng	8,362,129	3.05%
Li-Chen Wang	7,932,435	2.89%
Nan Shan Life Insurance Co., Ltd. - Ying-Tsung Tu	6,897,000	2.51%
Cathay Life Insurance Co., Ltd.- Tiao-Kuei Huang	5,975,540	2.18%
New labor pension fund	5,323,400	1.94%
Harding Loevner Institutional Emerging Markets Portfolio Fund	4,819,301	1.76%

5. Price per share, net value, surplus, dividend and relevant information for the last two years:

Year			2017	2018	Year-to-date March 31, 2019 (Note 8)
Item					
Market Price Per Share (Note 1)	Highest		401.00	425.00	433.00
	Lowest		263.00	263.50	336.00
	Average		330.45	352.10	368.60
Net worth Per share (Note 2)	Before distribution		54.93	61.71	65.03
	After distribution		45.43	(Note 2)	-
Earnings Per Share (Note 3)	Weighted average outstanding shares		274,367 thousand shares	274,367 thousand shares	274,367 thousand shares
	Earnings Per Share - before adjustment		11.12	15.96	3.28
	Earnings Per Share - after adjustment		11.12	(Note 2)	3.28
Dividend Per share	Cash dividend Per Share		9.50	(Note 2)	-
	Stock grants	Earnings distribution	-	(Note 2)	-
		Capital surplus distribution	-	-	-
	Accumulated undistributed dividends (Note 4)		-	-	-
Return on Investment	Price/Earnings Ratio (PER) (Note 5)		29.72 times	(Note 2)	-
	Price/Dividend Ratio (PDR) (Note 6)		34.78 times	(Note 2)	-
	Cash Dividend yield (Note 7)		2.87%	(Note 2)	-

- * If shares are distributed in connection with a capital increase out of earnings or capital reserve, further disclose information on market prices and cash dividends retroactively adjusted based on the number of shares after distribution.

Note 1: Indicates the highest and lowest market price of common shares in each year, and the average market price of each year is calculated according to the closing trading value and trading volume of each year.

Note 2: Pending for shareholders' approval.

Note 3: In case of any Issuance of bonus shares such that there is a need for retroactive adjustment, the earnings per share before and after the adjustment shall be indicated.

Note 4: If the issuance criteria of equity securities specify that dividends undistributed in the current year are to be accumulated to the year with earnings for issuance, then the accumulated unissued dividends up to the current year shall be disclosed respectively.

Note 5: Price-to-Earnings Ratio (PER) = Average closing price per share of the current year / Earnings Per Share (EPS)

Note 6: Price-to-Dividend Ratio (PDR) = Average closing price per share of the current year / Cash dividend per share.

Note 7: Cash Dividend yield = Cash dividend per share / Average closing price per share of the current year.

Note 8: Net worth Per share, EPS shall indicate the information audited by CPA for the most recent quarter up to the printing date of the annual report; the remaining fields shall be indicated with the current year information up to the printing date of the annual report.

6. Dividend policy and implementation:

(1) Dividend policy specified in the Articles of Incorporation:

Where the Company has a profit after settlement (the term "profit" refers to the income before deducting the distribution of employee remuneration from the income before tax), no less than 0.1% shall be appropriated for the employee's remuneration for the distribution according to the resolution of the Board of Directors' meeting, and be reported to the shareholders' meeting. For the surplus earnings after the settlement with the appropriation of the employee's remuneration, after tax is paid according to the law, it shall be used to cover the accumulated loss (including adjustment of undistributed surplus earnings amount) first, following which, 10% thereof shall be set aside as the legal reserve; however, when the legal reserve has reached the paid-in capital of the Company, it may be exempted from such appropriation. For the remaining amount, after special reserve is further set aside or reversed according to the laws. it is combined with the undistributed surplus earnings (including adjustment of undistributed surplus earnings amount) at the beginning of the same period, for proposing to the shareholders' meeting for resolution on the distribution of shareholders' dividends and bonuses.

Where the Company has accumulated loss (including adjustment of undistributed surplus earnings amount) from the previous years, for a profit gained in the current year (the term "profit" refers to the income before deducting the distribution of employee remuneration from the income before tax), before the appropriation of employee's remuneration, it shall be used to cover the accumulated loss first, followed by executing the appropriation of the remaining balance according to the percentage described in the preceding paragraph. The distribution of employee's remuneration may be made in the form of shares or cash.

In terms of industrial development, the Company is at a growing stage currently; and there are plans for expansion of production lines and fund demands. Consequently, during the distribution of surplus earnings,

the Board of Directors shall consider the investment plan, financial structure, future fund demand and profit status of the Company. If there are no other special conditions, it shall not be lower than 50% of the net income of the current year after the deduction of the compensation accumulated loss according to the preceding paragraph, for the Board of Directors to submit proposal to the shareholders' meeting for resolution before the execution thereof. However, the total amount of dividends shall not be less than 20% of amount of cash dividends distributed.

(2) Status of distribution of dividends proposed for resolution in the present shareholders' meeting:

In the present shareholders' meeting, it is proposed to distribute cash dividend of NT\$ 11, and the proposal is yet to be approved by the annual general shareholders' meeting scheduled to be held on June 18, 2019. After the aforementioned cash dividend proposal is approved through the resolution of the annual general shareholders' meeting, the Chairman is authorized to further specify the ex-dividend base date for the distribution.

7. Impact to Business Performance and EPS Resulting from Stock Dividend:

Item		2018 (Note 1)
Beginning Paid-in Capital (in thousands of NT\$)		2,743,671
Current dividend distribution	Cash dividend per share (NT\$)	11
	Dividend per share for capitalization of earnings	None
	Dividend per share for capitalization of reserve	None
Changes in Operating performance	Operating profit (in thousands of NT\$)	Not applicable (Note 2)
	Operating profit increase (decrease) ratio from same period of last year	
	Net income (in thousand NT\$)	
	Net income increase (decrease) ratio from same period of last year	
	Earnings per Share (EPS) (NT\$)	
	EPS increase (decrease) ratio from same period of last year	
	Annual average return on investment (annual average PER reciprocal)	
Pro Forma EPS and PER	Capitalization of earnings changed to distribution of cash dividend in full	Pro Forma EPS (NT\$)
		Pro Forma annual average return ratio
	Without capitalization of reserve	Pro Forma EPS (NT\$)
		Pro Forma annual average return ratio
	Without capitalization of reserve and capitalization of earnings changed to issuance of cash dividends	Pro Forma EPS (NT\$)
		Pro Forma annual average return ratio

Note 1: Pending for resolution of 2019 annual general shareholders' meeting.

Note 2: According to the “Regulations Governing the Publication of Financial Forecasts of Public Companies”, the Company is not required to publish the 2019 financial forecast information.

8. Employees’ remunerations and remuneration of directors and supervisors:

(1) The Articles of Incorporation specifies the percentage or range of the employees’ remuneration: Please refer to 6.(1) for detail.

(2) Estimation of employees’ remuneration and remuneration of directors for the present period:

(A) The distribution amount proposed by the board of directors and the recognized expense annual estimation amount are as follows:

<u>Item</u>	<u>Distribution amount proposed by the board of directors</u>	<u>Recognized expense annual estimation amount</u>	<u>Difference</u>
Employee cash remuneration	6,000,000	6,000,000	None
Remuneration of directors and supervisors	0	0	None

(B) Cause of difference: Not applicable.

(C) Handling of difference amount: If the distribution amount approved by the shareholders’ meeting differs from the amount proposed by the board of directors, the difference amount shall be recognized based on the accounting estimation after the approval of the shareholders’ meeting.

(D) EPS recalculated: NT\$ 15.96.

(3) Distribution of employees’ bonus and remunerations of directors and supervisors for the previous year:

<u>Item</u>	<u>Resolution of shareholders meeting Actual distribution Quantity</u>	<u>Originally approved by the board of directors Proposed distribution quantity</u>	<u>Difference</u>
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(1) Distribution status: (Unit: NT\$)

Employees’ cash bonus	6,000,000	6,000,000	None
The remuneration of directors and supervisors	0	0	None

Cause of difference: Not applicable.

Handling of difference amount: If the distribution amount approved by the shareholders’ meeting differs from the amount proposed by the board of directors, the difference amount shall be recognized based on the accounting estimation after the approval of the shareholders’ meeting.

(2) Information on EPS: (unit: NT\$)

Original EPS	NT\$ 11.12
Calculated EPS	NT\$ 11.12

9. Repurchase of the Company’s shares: None

- 4.2 Issuance of corporate bonds (including overseas corporate bonds): None.
- 4.3 Issuance of preferred shares: None.
- 4.4 Issuance of overseas depository receipts: None.
- 4.5 Status of employee stock option plan and status of employee restricted stock: None.
- 4.6 Issuance of new shares in connection with mergers or acquisitions or with acquisitions of shares of other companies: None
- 4.7 Capital plans and execution: None.

V. Operational Highlights

5.1 Business Activities:

5.1.1 Business scope:

1. Main content of business operation registered:
 - a. Manufacturing, processing, trading business of knitting and dyeing of fabrics, garments and textile raw materials.
 - b. Manufacturing, processing, trading business of various types of textiles of fabrics, garments, yarns, chemical synthetic fibers and silks etc.
 - c. Relevant import and export business of aforementioned items.

2. Main products and consolidated operating percentages thereof:

Item	2018 Operating Percentage
Knitted fabrics	29.59%
Garments	70.41%
Total	100.00%

3. Current manufacturing products of the company: Various elastic knitted fabrics and garments.

4. New products planned for development by the company:

Product development direction aims at diverse and differentiated product characteristics, specialized in functional fabrics, and sportswear series in order to establish complete production lines, such that the Company is able to provide comprehensive and differentiated services in order to satisfy the customer demand for a one-stop shop for all. Continue to research and develop technologies, improve product quality, collect latest domestic and foreign information, provide latest market trends, fabric types and styles to customers, in order to use such information as reference guides in determining the consumer market demands and to satisfy the needs of consumers.

5.1.2 Industry Overview:

1. Industry Current Status and Development:

The development of the textile industry (including complete and large production system of man-made fiber, spinning, knitting, dyeing and clothes manufacturing etc.) in Taiwan has a history of more than 60 years.

With the drive for technological improvements and market demands, vertical specialization of upstream, midstream and downstream sectors has been established and the supply chain is relatively complete. Regarding the upstream sector, the raw materials are plentiful and the processing techniques are skillful, it includes outstanding basis for the production scale and technologies of man-made fiber production that are extremely competitive internationally. It is also one of the main supply sources of man-made fiber products around the globe. The midstream sector has always achieved remarkable export business performance, and business operators in this sector have been the best cooperating partners of international brands. For the downstream sector, the garment industry has been one of the leading industries to establish operations worldwide under the pressure of labor wages.

Presently, the development of textile industry in Taiwan has gradually developed from the traditional labor-intensive clothes manufacturing factories (such as garment processing, sweaters etc.) into a complete textile production system from upstream, midstream to downstream sectors. In addition, the products manufactured have also expanded from traditional yarns, fabrics, man-made fibers and garments to non-woven fabrics with specific functions, industrial specialized fabrics, building material and furniture fabrics etc. Therefore, it has indeed become an industry with diverse development. Furthermore, the textile industry development in Taiwan has also shifted from OEM manufacturing model into an international cooperative production and sales system with vertical integration and horizontal specialization, which has certainly established solid foundation in the global textile industry with undeniable contribution worldwide.

According to the information from the Taiwan Textile Federation, in 2018, the total value of exported textile garment from our nation as US\$ 10.07 billion, an increase of 0.01% from 2017; among which, the value of exported fabric was US\$ 6.66 billion, a decline of 2.3% from the previous year. The value of exported yarn was US\$ 1.68 billion, an increase of 9.8% from the previous year. In terms of the structure of export the largest product is the fabrics with an export ratio of 66.1%, indicating that the fabric industry is important for the development of the textile industry in terms of the manufacturing, and it is also the most important export product for the textile industry. The next largest export product is yarns, accounting for 16.6% of the export ratio. The third largest exported product is fibers, accounting for 8.0% of the export ratio. In the textile

industry, the export ratios for the midstream and upstream fibers, yarns and fabrics account for a total exceeding 90%.

Product	Weight (in ten thousand tons)			Amount (in hundred million US\$)				Unit price (US\$/Kg)		
	2017	2018	Increase (decrease) %	2017	2018	Increase (decrease) %	Weight %	2017	2018	Increase (decrease) %
1. Fibers	54.5	50.3	-7.8	7.75	8.06	3.91	8.0	1.42	1.60	12.7
2. Yarns	57.5	58.7	2.2	15.27	16.76	9.76	16.6	2.66	2.85	7.4
3. Fabrics	89.2	85.2	-4.6	68.15	66.55	-2.34	66.1	7.64	7.81	2.3
4. Garment and clothing	2.4	2.7	8.9	5.50	5.10	-7.12	5.1	22.56	19.24	-14.7
5. Miscellaneous textiles	7.9	8.7	9.7	4.07	4.27	5.07	4.2	5.15	4.94	-4.2
1-5 Total of textiles	211.6	205.5	-2.9	100.73	100.74	0.01	100.0	4.76	4.90	3.0

Source of Information: Statistics of Customs Administration; Summarized by Taiwan Textile Federation February

2019

The textile industry in Taiwan is an industry that is highly export-oriented with foreign exchange earnings. Due to the downstream business operators in our nation requiring sufficient labor manpower, they tend to spread to overseas and most operators still rely on the import of high performance and fabrics with high quality from Taiwan. Consequently, it serves as the driving force for the upstream and midstream industries in Taiwan. The textile garment industry in our nation is export-oriented, and from the table below, it can be understood that the average export dependence for textile garment industry (calculated based on the export value over the production value weight) reaches 79%. In addition, the import value of textile garment industry in 2018 was US\$ 3.68 billion, and the trade surplus reached US\$ 6.39 billion, which was the industry of the 4th largest trade surplus in Taiwan. Over the past decade, the textile industry continues to drive the economic development in Taiwan and is a main industry for generating foreign exchange earnings. The textile industry generates appropriately an average of foreign exchange earnings of US\$ 7.7 billion, which has significant benefits to the balance of payments of our nation.

(unit: in 100 million US\$)

Item	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Production value	112.4	150.2	168.0	153.5	151.9	148.2	133.6	121.3	126.4	129.1
Export value	93.5	113.0	127.2	118.2	117.0	115.6	108.0	99.3	100.7	100.7
Import value	21.9	29.1	35.7	33.2	33.0	34.3	34.6	33.4	33.6	36.8
Trade surplus	71.6	83.9	91.5	85.0	84.0	81.3	73.5	65.9	67.1	63.9
Export degree of dependence	83%	75%	76%	77%	77%	78%	81%	82%	80%	78%

Source of Information: Department of Statistics, MOEA; Statistics of Customs Administration, MOF; Exchange rate based on the annual average exchange rate of Central Bank of R.O.C.; Summarized by Taiwan Textile

Federation February 2019

Fabrics is the key factor driving the textile export of Taiwan, and its export value had increased from US\$ 4.36 billion in 1990 to US\$ 6.66 billion in 2017, with an export percentage increasing from 42% to 66%. The export percentages of fibers and yarns in 2018 respectively account for 8% and 17% of the exported textile becoming an essential supply for the upstream and downstream products in the global textile industry supply chain.

(unit: in 100 million US\$)

Item	1990		1995		2000		2005		2010		2018	
	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage	Amount	Percentage
Fibers	6.0	6%	10.0	6%	9.5	6%	11.5	10%	11.7	10%	8.0	8%
Yarns	15.5	15%	26.3	17%	18.1	12%	22.7	19%	22.5	20%	16.8	17%
Fabrics	43.6	42%	87.7	57%	94.4	62%	67.7	57%	67.2	59%	66.6	66%
Garment	31.9	31%	23.5	15%	26.4	17%	13.2	11%	7.8	7%	5.1	5%
Miscellaneous	5.8	6%	7.9	5%	4.3	3%	3.4	3%	3.8	3%	4.2	4%
Total	102.9	100%	155.0	100%	152.7	100%	118.4	100%	113.0	100%	100.7	100%

Source of Information: Statistics of Customs Administration, MOF; Summarized by Taiwan Textile

Federation February 2019

The textile industry in Taiwan is a high export-oriented and foreign exchange earning industry. Due to the regional integration of the textile industry in Taiwan, for market competitiveness and seeking discounts in tariffs or reducing production element costs, business operators show increasing overseas investments and production capacities in foreign

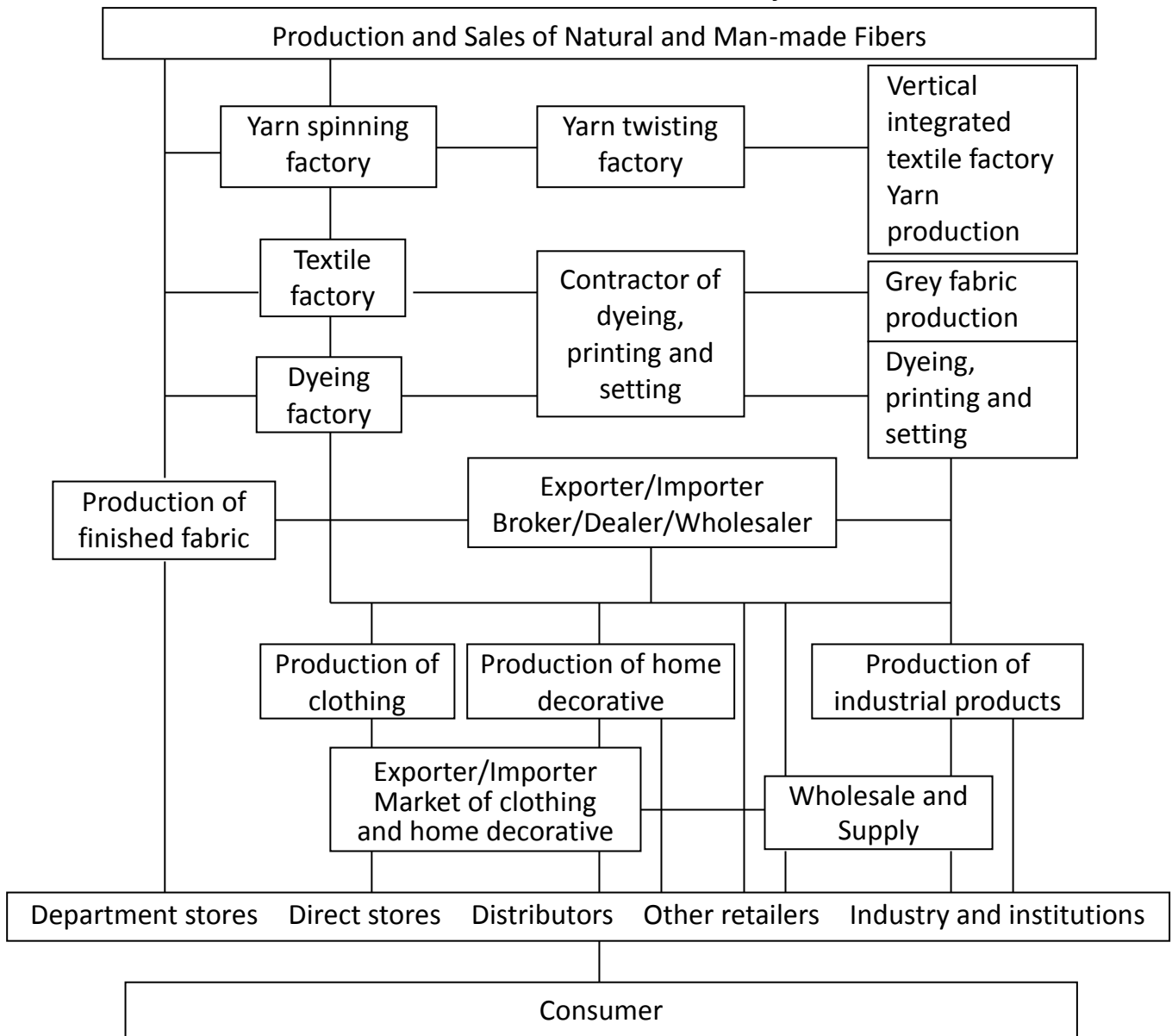
countries. Among which, the overseas investment in Vietnam is most prominent. Functional and high quality fabrics are characteristics of Taiwanese textiles, and business operators shall actively and continuously invest in research and development, and also utilize the plentiful supply of chemical fiber raw materials and innovative fabric knitting and dyeing technologies in Taiwan in order to establish the country's value chain and aggregation advantage for the functional textile industry. They will also push forward with the development of differentiated and high value-added products such that the competitive advantages can be maintained.

In view of the competitions due to various countries of Korea, China and the emerging Sri Lanka and India etc., textile enterprises in Taiwan shall establish the core abilities of innovative research and development and production of niche products in order to increase the added value of products as well as to establish the fast response ability to the upstream research and development and downstream customer demands, along with the integration of the fast response advantage in the integration of industry value chain and production cluster, such that the overall industry competitiveness can be increased.

Looking forward to 2019, with the significant growth of the trend of globalization and online shopping behavior, giant leading brands will continue to maintain their market shares and will demand closer cooperation of the supply chains, value the issues of the production capacity, diversify production base inventory management, corporate social responsibility etc. of their suppliers significantly. the company is of the opinion that continuous research and development, prompt response to terminal market demands, a focus on niche market expansion are the keys to the stable growth of an enterprise in the industry.

2. Correlation among upstream, midstream and downstream in the industry:

Structure of Textile Industry



The scope of the textile industry is relatively broad, and the upstream, midstream and downstream of the industry include six main fields of yarn, spinning, knitting, dyeing, garment and retail etc. Presently, in the domestic textile industry, there are several large companies exploiting their corporate competitive advantages making the most appropriate development direction in different fields in order to construct a vertically integrated industry and are active in establishing their own textile territory internationally, such as Formosa Nan Ya Group, Far Eastern Group, Shin Kong Group, Tainan Spinning Group and Eclat Group.

3. Product development direction:

According to the survey conducted by the market research

institution Technavio, the global demand for activewear including fitness and sports continues to grow, and the sales of sportswear in North America accounts for over 37% worldwide. It is expected that it will increase rapidly at an compound annual growth rate above 4.34% before the year of 2020, reaching a market scale of USD 196.6 billion.

With the increasing popularity in the sporty and healthy trend, in addition to standard sportswear, comfortable and fitted sportswear has become the main stream of daily wears. A lot of fashion brands and channel brands have started to launch relevant series of products, indicating the growth of sportswear is more prominent than the performance of the overall clothing.

Based on the consideration of the fast growth in the sports wear market and consumers have higher standard on functional products, domestic and foreign manufacturers are actively engaging in innovative research and development in relevant production technologies, such as: use of microporous membranes in the knitting and dyeing process methods, high-density fabrics, other special auxiliary treatment; use of special cutting, attachment ...etc. technologies for garment, in order to achieve the functional effects of low resistance, abrasion resistance, high strength, light and thin, insulation, UV protection, absorbing and fast drying, breathable and waterproof, anti-bacterial and deodorization etc. In recent years, the textile industry in Germany has also successfully developed biomedical technology and electronic technology textiles with the use of polymer and fiber materials in order to integrate the concepts of telecommunication, information processing, medical and sensor etc. into textiles, such that textiles are able to be equipped with the functions of being capable of responding to toxic substances or gases, temperature, heart rate, pulse, pressure, movement, breath, self-cleaning, temperature regulation, protection and healthcare etc.; consequently, consumer demands on health, sports and recreation can be satisfied.

The textile industry in Taiwan is known as the “Trillion Dollar Industry”, and under the influence of the global regional trading agreements signed, the global development of the Taiwanese supply chain is accelerating. Despite that there is a declining trend in the domestic production value, the percentages of order received and global production in Taiwan increases year after year. With the labor advantages in terms of quantity and lower wage, China and various Southeast countries are gradually causing greater pressure to be put on Taiwanese manufacturers in the international market of general sportswear, garment and decorative, and they also threaten the

development of Taiwanese manufacturers in the professional OEM market. Accordingly, the company is of the opinion that enterprises having their own research and development abilities in order to continuously achieve innovations in products and manufacturing processes while being equipped with the differentiation ability to move from OEM to high value-added ODM business, is the key competitive ability for the continuous development of the industry. This is the main direction for the future operation strategic development of enterprises, and is also essential for the sustainable operation of the textile industry in Taiwan.

4. Competition:

Competitiveness of the Company

A. Quality: The Company has accumulated extensive manufacturing experience and is of great commitment to quality. In 1993, the company received the “Q Mark” quality certification from DuPont to come the first enterprise to receive such great honor in the Asia-Pacific region.

B. Technology:

(A). Fabrics: Since knitted fabrics are made from elastic yarns and general non-elastic yarns, to blend the two types of elastic and non-elastic yarns and to allow them to interlace with each other firmly without interferences while maintaining the original characteristics of long and short fibers, the technology level required is relatively higher. The company owns various knitting machines of different specifications, and since 1989, the company has cooperated with DuPont such that presently, the technology of the company is mature and leads the industry.

(B). Dyeing: Since elastic fibers behave in a way similar to rubber bands, such that during dyeing process at high temperature, the elastic yarn can be in a molten state or generate ripples. Through continuous research and development as well as testing for different high/low dyeing solution temperatures, curve graphs, the company has been able to achieve most optimal control on such process.

(C). Garment: The Company establishes a dedicated unit in collecting the market trend information. In addition, the headquarters of the company has established a fast sample center of the largest scale in Taiwan, and in conjunction with various latest equipment of sewing machines, pattern making software and operators, such that the company is able to provide the one-stop shop service

including on-site fitting and ODM etc. to customers.

- (D). Lead time: The headquarter of the company is a global logistics center, capable of achieving fast order receiving, selecting appropriate production site according to the customer demands, lead time and cost etc., in order to maintain the competitiveness of the company. In addition, the company also strengthens the cooperation with raw material suppliers and various relevant manufacturing process vendors in order to effectively manage the manufacturing process and to control the delivery date.
- (E). Research and development: Obtain the market trend, develop various fabrics of modern technology materials, and jointly develop garment styles with customers in order to satisfy the modern consumer demands on the diverse textile products.
- (F). Consumer demands: Actively participate in domestic and international trade shows, collect themes and colors of the current market trend, as well as actively participate in projects and events organized by various professional institutions entrusted by the Ministry of Economic Affairs in order to increase the design and competitiveness of the company.

5.1.3 Technology and Research and Development Overview:

1. Research and development budget invested in recent years up to the printing date of annual report:

Unit: NTD 1,000

	R&D budget invested	Current operating revenue	R&D budget to current operating revenue ratio
2018	143,809	27,578,209	0.52%
January to March, 2019	31,511	6,244,297	0.50%

2. Technology or product developed successfully:

Product Type	Product Name	Usage and Description
Eco-Friendly Series of Fabrics - Sustainable Series	Carbon reduction and energy saving - Reduce	
	Tencel® Eco-friendly fiber fabric	A. As the issues of environmental protection continue to be considered significantly, Eclat and Lenzing Corporation jointly developed the Tencel fiber products, and the raw materials are obtained from the nature, such that the raw materials can be decomposed naturally in order to reduce impacts on the environment and the earth. B. The fiber product is equipped with the touch feels of softness, skin-friendly and excellent drape property along with the integration of high moisture-absorbing fibers, making Tencel to have great advantages in its appearance and functionality. C. Applicable to the sports field of recreation wear and yoga.
	Polypropylene Eco-friendly fiber fabric	A. Polypropylene fiber is an eco-material, and its specific weight is smaller than the water with low heat conductivity, allowing it to have the characteristics of lightweight and heat insulation. In addition, with the fiber characteristics of hydrophobic and non-coloring, it satisfies the environmental friendly concept of water saving. B. It is a functional product that has low water content and that is equipped with fast drying functions and wearable comfort. C. Applicable to the sports field of outdoor base layer and running
	APEXA® Biodegradable fiber fabric	A. DUPONT's Apexa® is a biodegradable polyester, and it can be degraded in an industrial compost environment, making it an environmental friendly fiber capable reducing textile wastes and environmental pollution. B. It is equipped with the function and characteristics of dry and comfort. C. It can be used in sports wear series.
	Recycle and reuse - Recycle	

Product Type	Product Name	Usage and Description
	Recycle PET/Recycle Nylon of eco-friendly fiber fabrics	A. Through consumer end waste recycle or industrial waste recycle with raw material treatment, eco-friendly fibers are obtained through recycle and reuse treatment processes. B. It is equipped with the function and characteristics of dry and wearing comfort. C. It can be used in sports wear series.
	Renew type	
	Sorona® Eco-friendly fiber fabric	A. DuPont's Sorona fibers use the raw material extracted from corn and protein carbohydrates, which is different from man-made fibers using raw material extracted from petroleum. B. Sorona exhibits the characteristics of softness, wearing comfort, elasticity and restoration performance. C. It complies with the innovation concept of global sustainable development.
	Bioenergy nylon fiber series of fabrics	A. Eclat and the international giant manufacturer in Germany, BASF, cooperate with each other to launch, the first bioenergy nylon textile in the world. B. It uses 100% renewable raw material alternative production - regenerated from organic waste oil, organic wastes, food industry waste substances of vegetable oil etc. Its production process is eco-friendly and is able to effectively reduce 35% of the greenhouse gas emission. C. It complies with the company's commitment in sustainable development.
Functional series of fabrics	Sunlight Management	
	BodyCare® UV Resistance series	A. BodyCare® is an own brand of Eclat. B. Its trademarks registered in all major countries worldwide (including US, European Union and Asia). C. This series of fabric mainly focuses on performance and functionality. It utilizes the technology and development in fibers, interlacing or after-processing treatment in order to achieve the function of UV resistance. D. It is applied to outdoor sportswear series.

Product Type	Product Name	Usage and Description
	Coldblack® series	A. Eclat cooperates with the internationally well-known manufacturer Schoeller, and is the first knitted fabric factory approved domestically. B. Through special manufacturing processes and auxiliaries, functional fabric of dark colors and high reflectance are developed such that dark fabrics are equipped with excellent function of UV resistance. C. It is a series of fabric that can be applied to the sports of golf or summer outdoor activities.
	UV reaction series	A. Through the utilization of special fibers or after-processing, in conjunction with interlacing design to achieve UV color-changing function, such that consumers are provided with the selection for the function of over sunlight exposure or diversity in colors and styles. B. This series of fabric is applied to various summer outdoor sportswear series.
	FIR warmth series	A. With the utilization of the insulation and warmth characteristics of fibers, the fabrics can be made to have excellent insulation and wearing comfort. B. Through professional design, diverse applications can be provided for selection. C. This series is suitable to fall, winter outdoor sportswear.

Product Type	Product Name	Usage and Description
	Reflection safety display series	A. This series of fabric is provided for safety protection of sportsman performing exercises in the morning or night time. The fabrics are equipped with the night luminous and light reflective functions in order to satisfy the demand of consumers during the outdoor walking or exercising, such that the fabric is equipped with the function for warning others while maintaining a pleasing appearance. B. Night luminous series: Through the utilization of yarns and special manufacturing process, light is absorbed in the fabric in order to maintain a certain level of effect. C. Light reflective series: Through special manufacturing process, the light reflection principle of vehicle headlights is utilized to achieve the light reflective effect. D. It is a fabric that is suitable to the exercises of jogging, cycling in the morning or at night.
	Air Management	
	BodyCare® Anti-bacterial series	A. BodyCare® is an own trademark brand of Eclat. B. This trademark has been registered in all major countries worldwide (including US, European Union and Asia). C. This series of fabric mainly focuses on performance and functionality. It utilizes the technology and development in fibers, interlacing or after-processing treatment in order to allow the fabric to become a BodyCare® product with anti-bacterial function. D. It is widely used in sportswear, recreation wear, home wear series.
	Cool Sensation series	A. With the use of natural fibers or fibers with addition of cool elements, textiles can have cool sensation for wearing. B. Wear with cool sensation to increase the wearing comfort and sensation. C. It is suitable to wear under long period of sunlight exposure.

Product Type	Product Name	Usage and Description
	3-in-1 multi-functional series	A. Eclat establishes its own trademark brand: Use of specially modified fibers, along with texture design in order to allow textiles to have the functions of UV resistance, heat isolation and deodorization. B. Deodorization function: Long lasting of reduction of odor due to the breeding of microorganisms. C. UV resistance function: Capable of isolating and reducing skin damages caused by UV radiation, capable of preventing skin sunburn, and suitable for outdoor sports. D. Heat isolation function: Equipped with UV shielding capability and reflecting visible light, reducing heat conduction speed in order to increase the wearing comfort of sportsman. E. It can be applied to wear for the exercise of jogging, outdoor sports and recreation wear.
	Moisture Management	
	BodyCare® Moisture Management series	A. BodyCare® is an own brand of Eclat. B. Its trademark has been registered in all major countries worldwide (including US, European Union and Asia). C. This series of fabric mainly focuses on performance and functionality. It utilizes the technology and development in fibers, interlacing or after-processing treatment in order to allow the fabric to become a fabric with moisture absorbing and perspiration drying functions. D. It can be applied to sportswear and recreation wear.
	3XDRY® series	A. Eclat cooperates with the internationally well-known manufacturer Schoeller in the joint development of such fabric. B. Auxiliaries and special manufacturing processes are utilized to develop a fabric with waterproof and breathable function such that the outer layer of the fabric is water repellent, and the inner layer has breathability and drying functions. C. It is applied to outdoor sportswear.

Product Type	Product Name	Usage and Description
	Nanosphere® series	A. Eclat cooperates with the internationally well-known manufacturer Schoeller in the joint development of such fabric. B. Through the use of auxiliaries and special manufacturing processes, fabrics equipped with waterproof and dirt repellent functions is developed, and the company is the first knitted textile factory to receive the approval thereof. C. The outer layer of the textile is equipped with the functions of being water and soil repellent. D. It is suitable to outdoor sportswear and recreation wear.
	Umorfil® skin-friendly series	A. Through nanotechnology, ocean collagen peptide amino acid is injected into fiber to achieve new functional material. It is able to achieve the functions of moisture retention and wearing comfort; in addition, its base uses an eco-friendly material and is biodegradable naturally. B. This series of product utilizes fiber in combination with high absorbing physical phenomena fiber design in order to achieve the heat isolation and cool sensation wearing comfort. C. It is a bionic fiber with skin-friendly characteristic, which is suitable to intimate apparel and home wear applications.
	Aqua-Guide® Moisture transferring and fast drying series	A. It is an own trademark brand of Eclat. B. It is of the characteristics of moisture transferring and fast drying. Perspiration can be absorbed by the absorbing layer and transferred to the medium moisture storage layer for absorbing, which is then swiftly exhausted to the fabric surface layer. Consequently, under the condition of large amounts of perspiration, it is able to prevent moisture from returning back to the fabric to cause skin attachment; as a result, wearing comfort can be increased. C. It is applied to outdoor sportswear and recreation wear.

Product Type	Product Name	Usage and Description
High Performance series of products	X-POLE®	
	X-POLE® Thermal Warmth series	A. It is a patented technology and a trademark of Eclat, and has received the recognition of Top 10 in the ISPO exhibition. B. With the utilization of fiber cross section principle, it is able to achieve insulation effect by preventing the loss of warm airflow, in conjunction with special fleece processing technology to enhance the warmth and breathable functions. C. High CLO value and pilling resistance characteristics in order to increase the added value of the textile. D. It can be used with hiking and light mountain climbing activities.
	X-POLE® Windbreaker series	A. It is a patented technology and a trademark of Eclat. This series of fabric has received the recognition of Outer Layer Top 10 in the ISPO exhibition. B. It utilizes Eclat's patented technology - Windbreaker knitted fabric. C. In comparison to conventional windbreaker jacket available in the market, such type of fabric is lighter and slimmer, along with the warmth and wearing comfort with elasticity. D. It is applied to outdoor sportswear series.

Product Type	Product Name	Usage and Description
	X-POLE® Waterproof and breathable series	A. It is a patented technology of Eclat - windbreaker knitted fabric. In addition, this series of fabric has also received the recognition of Outer Layer Top 10 in the ISPO exhibition. B. It utilizes the high-density knitting method and X-POLE Thermal Warmth fleece series, along with the application of film and waterproof breathable processing technologies, such that the fabric is equipped with elastic fiber series of characteristic in order to increase the wearing comfort during exercises. C. Protective products of 2.5 Layers and 3 Layers etc. are manufactured through combined processing technologies, and eco-friendly C6 and non-fluoride waterproof products are developed for consumers' selection. D. It is suitable to outdoor sports of mountain climbing and cycling etc.

5.1.4 Long-term and Short-term Business Development Plan:

(1). Short-term development plan:

1. Obtain advanced new technologies, continue innovation, increase production and competitiveness, root in Taiwan, and global manufacturing. Establish the design, research and development as well as the high-level production technical center in Taiwan, utilize raw materials of excellent quality and use quality system to improve the product competitiveness, achieve global market expansion, in light of increasing production capacity, reducing costs and shortening lead time.
2. Integration strategy for upstream, midstream and downstream:
 - Reduce the number of suppliers and centralize the management of suppliers, strengthening the cooperation relationship with suppliers.
 - Establish raw material joint development model, improve quantity and quality, and increase value of suppliers.
 - Provide technical guidance to suppliers, strengthen supply chain ability.
3. Product development from fabric to garment:
 - Provide customers a complete service from fabric to garment,

establish vertically integrated order receiving operation model.

- Obtain market trend, provide products satisfying customer demands, and establish service value of excellent quality and short lead time.
- Cooperate with world first-class suppliers, utilize innovative technologies in research and development of fabrics and garment styles in order to increase the differentiation with competitors and to create values in the overall value chain.

(2). Long-term development plan:

1. Collaborate with customers in designs to create values jointly:
 - Strengthen brand manufacturers, cultivate medium and small customers, and drive the company revenue performance with customers' growth.
 - Cultivate designers to collaborate with customers in the design of garment styles, and to jointly develop garment new brands or new market.
 - R&D personnel collaborate with customers in the development of fabrics, anticipate customer demands, coordinate production through the order and planned production methods in order to accelerate the product supply capabilities, to strengthen relationships with customers and to create joint value.
2. Development of eco-friendly sustainable textile:
 - Focus on the global trend on environmental protection awareness, actively develop products complying with the eco-friendly concept.
 - In 2006, the company has received the organic cotton manufacturing process certification from CONTROL UNION and IMO. Since Europe and American countries emphasize on the environmental protection issue more and more, the company has cooperate with the development strategy of brand manufacturers on organic cotton products in order to satisfy the market demand and to actively develop new products for business opportunities.
3. To cope with the global trend of environment protection awareness, the company has also received the bluesign certification in 2011 in compliance with the specification of brand manufacturers in order to establish a closer cooperation relationship with customers and to fulfill the international social responsibility.

5.2 Market and Sales Overview:

5.2.1 Market analysis

1. Sales region of main productions:

Unit: NTD 1,000

Year Region		2016		2017		2018	
		Amount	%	Amount	%	Amount	%
Domestic Sales		612,668	2.50	60,568	0.25	367,008	1.33
Export Sales	America	13,893,672	56.65	14,032,846	57.91	16,216,054	58.80
	Asia	7,347,113	29.95	7,337,111	30.28	7,749,994	28.10
	Others	2,672,241	10.90	2,801,445	11.56	3,245,153	11.77
	Sub-total	23,913,026	97.50	24,171,402	99.75	27,211,201	98.67
Total		24,525,694	100.00	24,231,970	100.00	27,578,209	100.00

2. Market Share Percentage:

According to the Taiwan Top 2,000 survey by the CommonWealth Magazine, Eclat is ranked 145th in the manufacturing industry, and for the textile industry, Eclat is the 5th in terms of the operating revenue, 4th in terms of the net income after tax, and 3rd in terms of the profitability. Since 2018, the monthly production capacity for knitted fabrics of the company reaches above 15 million yards, and the monthly production capacity for garments reaches above 10 million pieces. The production capacity scale of Eclat is also ranked high among the top domestic manufacturers.

3. Market future supply and demand status and growth:

(1). Market future supply and demand outlook – textile and dyeing industry:

For spun, with the fast emerging origins of natural fiber raw materials of China, Pakistan and Indonesia etc., and due to the excessive factory expansion by the domestic manufacturers, production capacity is in excess. This has led to price competition and significant reduction in profit for domestic natural fiber yarns and textiles manufacturers, such that a great number of manufacturers move out of the country. Regarding Synthetic fiber, in terms of the woven fabrics, with the significant increase in the demand for functional textiles, and since such type of functional textiles are mostly made from the modification and processing from man-made fibers, the future market for functional textiles is

expected to continue to grow. Post-processing fabric are closely related to the market information trend.

Regarding the knitted fabrics, in recent years, due to the short product life cycle of knitted fabrics, low entrance barrier and the trend of low product price in the international market, traders and distributors tend to seek sources in the regions of China and Southeast Asia. Under the influence of technical guidance over the past years, the manufacturers in the regions of China and Southeast Asia are now able to produce products of competent level to the products made by Taiwanese Manufacturers. Despite of the fact that the quality of products from China and Southeast Asia are still unstable, their prices are nevertheless far more attractive than Taiwanese products, such that the domestic export quantity of knitted fabrics is decreasing year after year.

Countermeasure and Required Criteria:

The countermeasures that can be adopted by the knitted fabrics and dyeing industry include reinforcement of the differentiation, technology alliance, local market rooting, branding management and global market expansion. The required criteria include product planning and innovative research and development abilities; investment in research and development budget; increase of successful rate in new products; maintaining excellent cooperation relationship with vendors; market keenness and ambition of leaders; excellent financial ability; equipped with market development type of sales talents; outstanding management team; and the ability to completely satisfy the demands of branded customers and purchasers in terms of the criteria of quality, price, research and development, service, lead time, human rights, environmental protection etc.

(2) Market future supply and demand outlook -- garment industry:

Garment industry is characterized by its labor-intensive industry, and the factory establishment cost and capital technology level are relatively low. In recent years, due to the continuous increase of the wage in Taiwan, the basic employee labor supply is clearly insufficient such that garment manufacturing operation environment is difficult. In addition to the cheap labor cost advantages in China and new emerging countries, manufacturers in the industry continue to move out of Taiwan.

Countermeasure and Required Criteria:

The strategy combinations recommended to be adopted by the garment industry include the three strategies of global market expansion, branding management and local market rooting etc. The required criteria include sound financial standing, outstanding management talents, market keenness and ambition of leaders, equipped with product planning and R&D talents, and the ability to satisfy the basic demands of branded customers in terms of the criteria of quality, price, research and development, service, lead time, human rights, environmental protection etc. completely.

Future growth:

The main products of the company include elastic knitted fabrics and professional/functional clothes. The main raw materials of such fabrics and clothes are natural fiber yarns, man-made fiber yarns and elastic fiber yarns. Since the petrochemical industry in Taiwan is mature, there is no concern on the semi-finished petroleum raw materials. With the complete industry structure, the production capacity for fibers and processed yarns is ranked high worldwide. As a result, the raw materials can be obtained relatively easily, the source of supply is abundant and the quality is also stable. Regarding elastic fibers, Eclat mainly uses the elastic fibers of “Lycra” produced by Invista, and such elastic fiber is at the leading position in the industry. In terms of the market demand, all developed and emerging countries worldwide are gradually focusing on recreation lifestyles, and the outdoor activity time generally increases. This is particularly so in developed countries in Europe and America, which place great emphasis on health and recreational lifestyles. So much so that the demand for recreation, functional and healthy wear is being driven to increase, and the scale of relevant market is expanding significantly. Knitted fabric of the characteristics of small-volume with large-variety have earned great recognition from professional designers such that knitted fabric is used as the material for high-end fashion wear and is of great potential in fashion trend development. The future outlook of the elastic fabric of the company demonstrates great market potential.

4. Competitive niche and favorable, unfavorable factors in future development outlook and countermeasures:

Competitive niche:

The main products of the company include circular elastic

knitted fabric and garment manufacturing thereof, which utilizes elastic yarn and conventional synthetic fiber and spun mixed knitting as well as special post-processing fabric treatment technology. The company is active in the research and development of trendy, sporty, recreational, eco-friendly, health and multi-functional fabric in conjunction of trendy style designs. This allows the company's fabrics to be widely applied to diverse product series of sportswear, recreation wear, underwear and pajamas, yoga wear etc., for sales to all well-known brands, department stores and major retailers worldwide.

Main competitive advantages:

- 1) Provide excellent brand reputation to customers, establish reliable partnership.
- 2) Own factory with complete vertical integration (from knitting→dyeing→setting→garment) as a key in earning customer trust.
- 3) Production reaches the economies of scale, equipped with greater price bargain power in raw material purchase, along with the utilization of mature Synthetic fiber industry in Taiwan in order to obtain quality raw materials at low price.
- 4) Technology integration with upstream vendors in order to reduce production errors, improve quality and increase product competitiveness.
- 5) Product innovation ability and high added value, excellent and stable production quality, equipped with relatively greater competitiveness; strong ability in global logistics management, capable of achieving short fast delivery. Local offices established in New York, Los Angeles and Hong Kong, capable of satisfying the all-round service demands of customers from raw materials to finished products.
- 6) The operation management level of the company is committed to the sustainable operation.

Favorable factors to business development:

A. Stable raw material source:

- (a) Synthetic fiber: In recent years, with the rapid development of the petrochemical industry in Taiwan, the production capacity of the downstream man-made fibers, processed yarns are driven to expand, and the production capacity of polyester fibers is

also ranked top 4th worldwide. For knitted fabric, synthetic fiber can be obtained easily and the supply source is stable while the price of raw material is also lower than other competitors in, such as Japan and the US.

- (b) Spun: Under the impact of global climate change, the annual production quantity and price of natural fibers also fluctuate. To ensure the stable raw material supply source, the company engages in long-term cooperation with well-known suppliers, such as: Tai Yuen Textile and Far Eastern New Century, in order to ensure the stable source of yarns such that the Company is able to cooperate with the production progress and to arrange the lead time.
- (c) Elastic fiber yarns: The elastic fiber yarns used by the company mainly refer to the elastic fiber yarn of “Lycra” manufactured by Invista. In addition, the company signs contracts with suppliers for planned procurement such that the expected procurement quantity is arranged according to the annual order demand on a quarterly basis, and reasonable price are negotiated in order to ensure the quantity and quality of elastic yarns of the company.

B. Leading technology:

- (a) Knitting technology: Since elastic knitted fabrics are made from elastic yarns and general non-elastic yarns, to blend the two types of elastic and non-elastic yarns and to allow them to interlace with each other firmly without interferences while maintaining the original characteristics of synthetic fiber and spun, it is clear that requirements for the technology level are high. Since 1989, the company has cooperated with DuPont and accepted the technical guidance of DuPont engineers. Presently, the technology of the company is mature and is at the leading position in the industry.
- (b) Dyeing technology: Since elastic fibers behave in a way similar to rubber bands, and dyeing on rubber band is known to be difficult. This is mainly due to the reason that during the dyeing process at high temperature, the elastic yarn can be in a molten state or generate ripples. Through continuous research and development as well as testing for different high/low dyeing solution temperatures, curve graphs, the company has been able to achieve most optimal control on such process.

C. Strong R&D department:

The company established the R&D Department in 1993, and it is presently under the Planning Department, which is in charge of the research and development of new fabrics. This includes knitting, dyeing and post-processing treatment technologies. In addition, the company also establishes the Test Center for testing various qualification standards of textiles, such as: shrinkage rate test, color fastness test, physical test etc. The Planning and R&D Departments irregularly participate in the international textile trade shows, including the ISPO in Germany, Outdoor Retailer in US, PV in France etc., in order to provide fabrics successfully developed by and garment styles from Eclat on its own for buyer's selection, creating excellent brand image and reputation for the company as well as establishing reliable partnership with customers or branded manufacturers.

D. Global market expansion:

Except for the Taiwanese Headquarter, the company also established offices in Hong Kong to promote business as well as to obtain local consumer market information, to collect trend information and to receive orders and service customers locally. In addition, in all major consumer markets worldwide, the company has agents in a long-term relationship with the company in order to represent the company in the business and sales of fabrics and garments.

Regarding the production site, for the production of knitted fabrics, due to the factors that the production technology requirement is high, investment cost is large, and customer designates for products made in Taiwan, Eclat has established knitting, setting and quality inspection packaging factories in Hsichou, Miaoli, as well as Miao-li yarn dyeing factory and the Dayuan, Taoyuan dyeing factory. In terms of overseas factories, the company's Vietnam dyeing factory has started its operation officially in 2009 as party of the production team of the company. Regarding the production of garments, the company has established Eclat Textile Co., Ltd(Vietnam), Colltex Garment Mfy Co., Ltd.(Vn), E-Top (Vietnam) Co., Ltd, Tai-Yuan Garments Co., Ltd. and Eclat Textile (Cambodia) Co., Ltd. etc. In addition, the company has also established strategic alliance OEM factories in various areas of Lesotho of South Africa, Vietnam and China. Presently, the company production site layout is as shown in the table below:

Operating Offices	Taiwan Taipei Headquarter, Hong Kong Office	
Production Sites	Fabrics	Garments
	Hsichou knitting, setting and packaging factory, Tashan knitting factory, Miao-li yarn dyeing factory, Dayuan dyeing factory, Eclat Fabrics (Vietnam) Co., Ltd.	Eclat Textile Co., Ltd(Vietnam), Colltex Garment Mfy Co., Ltd.(Vn), E-Top (Vietnam) Co., Ltd, Tai-Yuan Garments Co., Ltd., Eclat Textile (Cambodia) Co., Ltd. and strategic alliance OEM factories in Lesotho, Vietnam and China etc.

Unfavorable factors affecting future development and countermeasures:

A. Unfavorable factors:

- a. For the textile market, the price competition is more intense due to the low price products from Southeast Asia countries, such as Vietnam, India, Pakistan, and countries of Korea and China etc.
- b. After the global market expansion, the localization ratio of the management team is insufficient, causing difficulty in the management thereof.
- c. Labor cost is high, and OEM profit is low.
- d. Formation of regional economy, leading to greater trade protection.

B. Countermeasures:

a. Production innovation:

1. Innovation in production design:

R&D personnel shall obtain the trend information at all times, perform self-development or collect latest products, provide such products to sales personnel.

2. Innovation in marketing and sales:

Sales personnel shall provide services based on the customer-oriented approach, and cooperate closely with the R&D personnel in order to jointly design and provide products demanded by the customers, or even generate additional customer demand.

3. Innovation in administrative operation:

Introduction of e-system; through the establishment of ERP, provide the production and sales enterprise mode that is of fast

innovation, fast R&D, fast production and fast sales to customers and suppliers.

Through the creation of corporate innovation culture and global logistics electronic assistance, provide value-added products to customers in order to increase the competitiveness of the company.

b. Marketing and sales strategy:

1. Short-term:

Prompt response, close to market, enhance the cooperation with customers, establish close relationship with customers as partners, and increase the efficiency of the supply chain. In addition, when customers choose to cooperate with suppliers with advanced operation procedures and systems in the future, the company is able to reduce the risk, lower the production development cost and improve the production capability.

2. Medium-term:

Based on the concern of a more efficient supply chain management, European and American customers will shift their procurement subjects to suppliers with the vertical integration ability and capable of providing the complete service from raw material to finished product or even design service. Accordingly, the company will exploit its advantage in vertical integration as a supplier in order to provide a complete solution and service in ODM model to customers such that the relationship with customers is strengthened further.

Establish "Brand Partner". Based on the consideration of the trend that large scale of international buyers and brand retailers tend to become greater in scale, the primary markets will be gradually dominated by several large brand companies.

Regardless of whether it is for the agency of foreign brands, seeking agency for new brands, obtaining licensed production from foreign well-known brand manufacturers, the company will provide a one-stop shop for all model of production service from finished fabrics to finished garments in order to satisfy the demands of customers completely.

3. Long-term:

Establish excellent branding reputation as an ODM supplier, and improve product added values.

c. Actively establish the global logistics channel mapping, spread out the production locations, and choose a production region with

competitiveness for manufacturing. Regarding strategy, Taiwan serves as the operation center in charge of design, research and development, order receiving, management of order distribution and customer service in Taiwan. In addition, in view of the global regional economy development, the company will establish domestic factories for production for countries with greater tariff advantages in order to increase competitiveness.

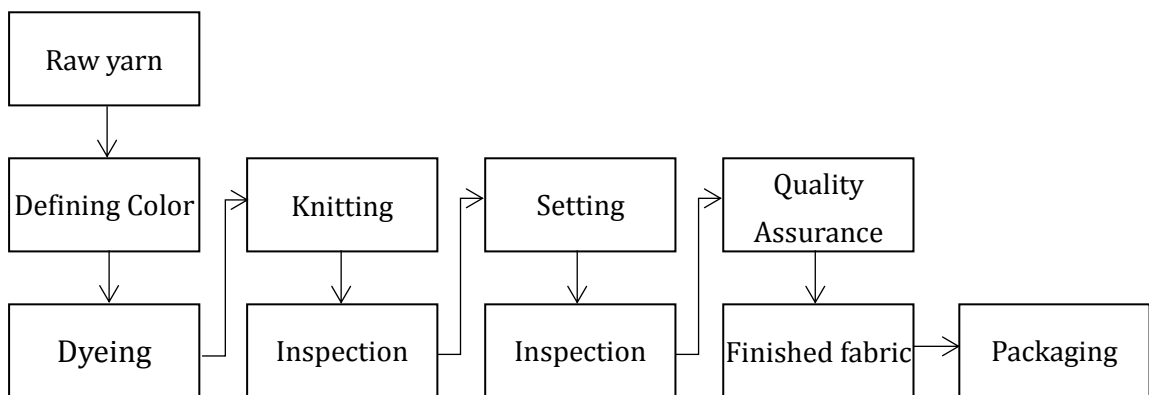
5.2.2 Key purpose and production process of main products:

1. Key purpose of main products

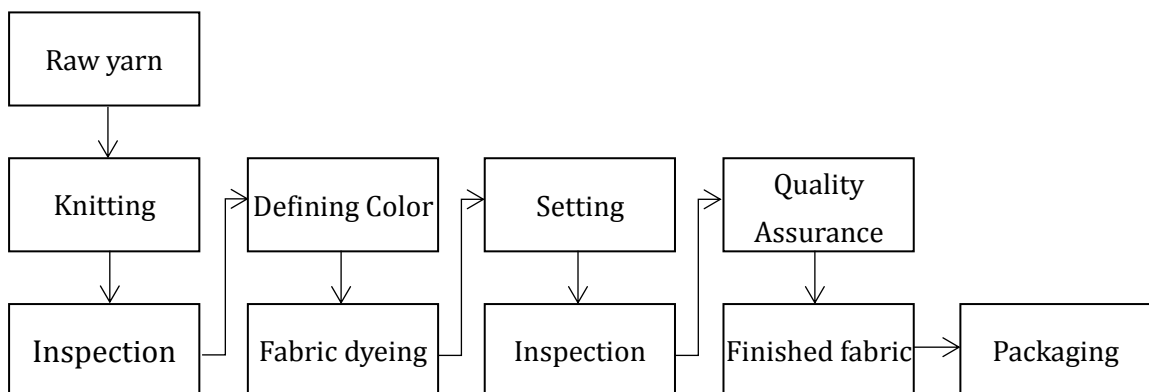
The main products of the company include fabrics for garments that are made from man-made fibers, natural fibers and blended yarn fibers; among which, circular knitting elastic knitted fabric is a key product of the company. The fabrics manufactured by the company are widely used in recreation wear, sportswear and yoga wear etc. following the latest fashion trend in the market.

2. Production process of main products

(1) Yarn-dye:



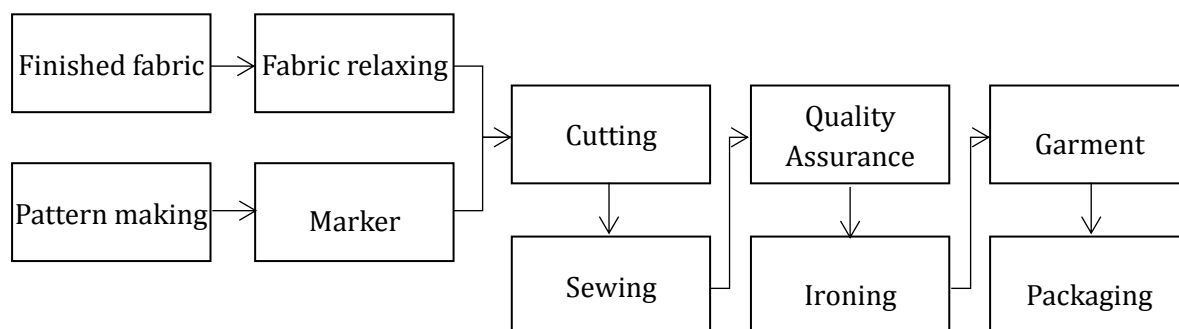
(2) Piece-dye:



(3) Post-processing:

According to different types of fabrics, the processes of printing, embossing, folding, burn-out printing, fleece finishing, brushing, shearing.

(4) Finished garment:



5.2.3 Primary raw material supply status:

Main industrial department	Product Name	Main raw material		
		Raw material name	Main supply source	Supply status
Fabric Division	Knitted fabric	Grey yarn	Taiwan and Vietnam	Stable
		Elastic yarn	Singapore and Taiwan	Stable
Garment Division	Garment	Finished fabric	Self-manufactured and Taiwan, Vietnam	Stable

5.2.4 Name of customers accounted for more than 10% of total purchase/sales amount of the company in the most recent two years or in any year and the purchase/sales amount and ratio thereof:

1. Name of customers accounted for more than 10% of total sales amount of the company in the most recent two years and its sales amount and ratio:

Unit: NTD 1,000

Item	2017				2018				Up to the last quarter of 2019			
	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer	Name	Amount	Annual net sales percentage (%)	Relationship with the issuer	Name	Amount	Net sales percentage (%)	Relationship with the issuer
1	A	3,202,813	13.17	None	A	3,435,550	12.46	None	A	844,531	13.52	None
2	B	2,854,790	11.78	None	-	-	-	-	-	-	-	-
3	Others	18,174,367	75.05		Others	24,142,659	87.54		Others	5,399,766	86.48	
	Net sales amount	24,231,970	100.00		Net sales amount	27,578,209	100.00		Net sales amount	6,244,297	100.00	

2. Name of suppliers accounted for more than 10% of total purchase amount of the company in the most recent two years and its purchase amount and ratio:

Unit: NTD 1,000

Item	2017				2018				Up to the last quarter of 2019			
	Name	Amount	Annual net purchase percentage (%)	Relationship with the issuer	Name	Amount	Annual net purchase percentage (%)	Relationship with the issuer	Name	Amount	Net purchase percentage (%)	Relationship with the issuer
1	-	-	-	-	-	-	-	-	-	-	-	-
	Others	10,574,057	100.00	-	Others	10,602,523	100.00	-	Others	2,366,661	100.00	-
	Net purchase amount	10,574,057	100.00	-	Net purchase amount	10,602,523	100.00	-	Net purchase amount	2,366,661	100.00	-

The main raw materials of the knitted fabrics manufactured by the Company are synthetic , spun and elastic fibers. For elastic fibers, the Company uses the “Lycra” manufactured by Invista, and spandex manufactured by Formosa Asahi and Hyosung. For synthetic fibers, the main suppliers include Toung Loong, Zig Sheng, Nan Ya, Italon and Shin Kong. For staple fibers, they are from well-known manufacturers, such as Tai Yuen etc., are suppliers in long-term relationship with the Company. The Company has established long-term relationship with the suppliers, and the supply sources are stable such that there is no concern in the situation of the shortage, interrupt or overly concentrated supply.

5.2.5 Production quantity table for the most recent two years:

Unit: NTD 1,000

Year		2017			2018		
		Production capacity	Production quantity	Production value	Production capacity	Production quantity	Production value
Product							
Knitted fabric	Tons	22,709	17,159	7,830,177	21,057	18,979	8,658,810
Garment	Dozen	-	4,185,374	12,764,040	-	4,494,114	13,019,589

5.2.6 Sales quantity table for the most recent two years:

Unit: NTD 1,000

Year		2017				2018			
		Domestic Sales		Export Sales		Domestic Sales		Export Sales	
		Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Knitted fabric	Tons	1,683	465,065	12,470	6,888,809	1,404	302,145	15,220	7,858,635
Garment	Dozen	-	-	6,767,264	16,878,096	-	-	7,765,789	19,417,429

5.3 Human Resources:

Year		2017	2018	Up to 2019.3.31 of the current year
Number of employees	Direct labor	12,258	12,258	12,155
	Indirect labor	2,039	2,425	2,455
	Company staff	1,796	1,939	2,074
	Total	16,093	16,622	16,684
Average age		29.55	30.37	30.12
Average service year		3.18	3.8	3.67
Education	PhD	0	0	0
	Master	1%	1%	1%
	College	11%	12%	12%
	Senior High School	23%	24%	22%
	Under Senior High School	65%	63%	65%

5.4 Environmental Protection Expenditure:

1. According to the laws and regulations, regarding the application of pollution facility installation permit license or pollution emission permit license or required payment for pollution control fees or requirement on the installation of dedicated unit/personnel for environmental protection, please refer to the following description on the application, payment or establishment status thereof:

(1) Waste water, air emission, discarded fabrics and residual yarns possibly generated during the production process of textiles of the company. Regarding the waste water and air emission treatment, the company has installed the waste water and air emission treatment equipment in the factories of the company. For the waste treatment, presently the company follows the waste classification requirements, and performs the preliminary collection inside the factories, followed by handling such wastes to professional environmental service contractors approved by the Environmental Protection Administration for handling.

(2) According to the laws and regulations, relevant permit licenses obtained by the company are as follows:

Factory name	Application unit	Permit license type	Relevant laws	Certificate No.	Valid period
Miao-li Plant	Miaoli County Government	Stationary pollution source Installation permit license	Air Pollution Control Act	Miao-Fu-Huan-She Certificate No. 0607-00	2016.04.01 -2021.03.31
Miao-li Plant	Miaoli County Government	Stationary pollution source Operational permit license	Air Pollution Control Act	Miao-Fu-Huan-Tsao Certificate No. K0338-07	2015.02.13 -2020.02.12
Miao-li Plant	Miaoli County Government	Stationary pollution source Operational permit license	Air Pollution Control Act	Miao-Fu-Huan-Tsao Certificate No. K0922-01	2018.02.07 -2023.02.06
Miao-li Plant	Miaoli County Government	Water pollution control permit license	Water Pollution Control Act	Miao-Hsien-Huan-Pai Permit No. 00543-04	2018.03.20 -2023.03.19
Hsichou Plant	Miaoli County Government	Water pollution control permit license	Water Pollution Control Act	Miao-Hsien-Huan-Pai Permit No. 00031-10	2018.02.07 -2023.05.31
Hsichou Plant	Miaoli County Government	Stationary pollution source Operational permit license	Air Pollution Control Act	Miao-Fu-Huan-Tsao Certificate No. K0308-05	2018.11.29 -2023.11.28
Hsichou Plant	Miaoli County Government	Stationary pollution source Operational permit license	Air Pollution Control Act	Miao-Fu-Huan-Tsao Certificate No. K0309-07	2018.05.24 -2023.05.23
Hsichou Plant	Miaoli County Government	Stationary pollution source Operational permit license	Air Pollution Control Act	Miao-Fu-Huan-Tsao Certificate No. K0878-03	2018.12.02 -2023.12.01
Dayuan Plant	Taoyuan City Government	Stationary pollution source Operational permit license	Air Pollution Control Act	Tsao Certificate No. H2978-07	2018.01.10 -2023.01.09
Dayuan Plant	Taoyuan City Government	Stationary pollution source Operational permit license	Air Pollution Control Act	Tsao Certificate No. H5175-04	2018.01.28 -2023.01.27
Dayuan Plant	Taoyuan City Government	Water pollution control permit license	Water Pollution Control Act	Tao-Shi-Huan-Pai Permit No. H3241-05	2016.11.06 -2021.10.05
Hsichou Plant	Miaoli County Government	Waste disposal plan	Waste Disposal Act	Fu-Huan-Certificate No. 100003507	2015.08.19 -2022.12.31
E-Top (Vietnam) Co., Ltd	Resource Environmental Protection Agency	Environmental Protection Assessment Report Decision	Environmental Protection Act (55 / 2014 / QH13)	128 / QD-BQL-MT	Permanent

Factory name	Application unit	Permit license type	Relevant laws	Certificate No.	Valid period
E-Top (Vietnam) Co., Ltd	Resource Environmental Protection Agency	Hazardous Waste Gas Source Registration Log	Regulations Governing Hazardous Wastes 12 / 2011 / TTBTNMT	QLCTNH: 77.000742.T	Permanent
Eclat Textile Co., Ltd(Vietnam)	Resource Environmental Protection Agency	Environmental Protection Assessment Report Decision	Environmental Protection Act (55 / 2014 / QH13)	3905 / QD-UBND	Permanent
Eclat Textile Co., Ltd(Vietnam)	Resource Environmental Protection Agency	Hazardous Waste Gas Source Registration Log	Regulations Governing Hazardous Wastes 12 / 2011 / TTBTNMT	QLCTNH: 75.001016.T	Permanent
Eclat Fabrics Co., Ltd (Vietnam)	Resource Environmental Protection Agency	Hazardous Waste Gas Source Registration Log	Regulations Governing Hazardous Wastes 12 / 2011 / TTBTNMT	QLCTNH: 77.000715.T	Permanent
Eclat Fabrics Co., Ltd (Vietnam)	Resource Environmental Protection Agency	Environmental Protection Assessment Report Decision	Environmental Protection Act (55 / 2014 / QH13)	394 / QD-STNMT	Permanent
Eclat Fabrics Co., Ltd (Vietnam)	Industrial Zone Management Bureau	Environmental Protection Assessment Report and Environmental Protection Construction Acceptance Confirmation Letter	Environmental Protection Act (55 / 2014 / QH13)	421 / XN-BQL-MT	Permanent
Eclat Fabrics Co., Ltd (Vietnam)	Provincial Government	Waste water discharge license	Environmental Protection Act (55 / 2014 / QH13)	77 / GP-UBND	2020/12/02
Tai-Yuan Garments Co., Ltd.	Resource Environmental Protection Agency	Environmental Protection Assessment Report Decision	Environmental Protection Act (29 / 2011 / ND-CP)	H3 / QD-BQLKKT	Permanent
Colltex Garment Mfy Co., Ltd.(VN)	Resource Environmental Protection Agency	Environmental Protection Assessment Report Decision	Environmental Protection Act (29 / 2011 / ND-CP)	1184 / QD-UBND	Permanent
Colltex Garment Mfy Co., Ltd.(VN)	Resource Environmental Protection Agency	Hazardous Waste Gas Source Registration Log	Regulations Governing Hazardous Wastes 12 / 2011 / TTBTNMT	QLCTNH: 72.000174.T	Permanent
Colltex Garment Mfy Co., Ltd.(VN)	Resource Environmental Protection Agency	Environmental Protection Assessment Report Decision	Environmental Protection Act (18 / 2015 / ND-CP)	1037 / QD-UBND	Permanent
Eclat Textile (Cambodia) Co., Ltd.	Bureau of Environment	Environmental Protection Assessment Report Decision	Labor's Act 1269 / 36 / 19961224	Bureau of Environment Certificate SORCHON0160	Permanent

(3) Payment of pollution control fees according to the laws and regulations.

(4) Environmental protection dedicated personnel required to be staffed according to the scale, manufacturing process characteristics and regulatory requirements for each production factory:

Factory name	Name	Dedicated Technology	Qualification Certification No.
Miao-li Plant	Mei-Hua Chen	Class A Waste water treatment dedicated person	Environmental Protection Administration, Executive Yuan (2001) EPA-Training Certificate No.
Miao-li Plant	Li-Guan Liu	Class B Waste Treatment Technician	Environmental Protection Administration, Executive Yuan (2005) EPA-Training Certificate No.
Hsichou Plant	Pao-Kuei Wang	Class B Waste Treatment Technician	(2003) EPA-Training Certificate No. HB090773
Hsichou Plant	Yuan-Ming Chung	Class B Waste water treatment dedicated	(2000) EPA-Training Certificate No. GB120347
Dayuan Plant	Kuan-En Lin	Class A Waste water treatment dedicated	(2011) EPA-Training Certificate No. GA150559
Dayuan Plant	Yu-Hui Peng	Class A Waste Professional Engineer	(2016) EPA-Training Certificate No. HA310394

2. Investment in main equipment for environmental control pollution and its purpose and possible benefits:

December 31, 2018; Unit: NTD 1,000

Equipment name	Quantity	Acquisition date	Investment and modification cost	Nondepreciating balance amount	Purpose and expected possible benefit
Miao-li Plant waste water treatment construction	1 set	1992.05.01	14,250	0	Treatment of waste water to comply with the discharge standard
Hsichou Plant electrostatic precipitator	1 set	1998.10.31	8,781	73	Treatment of waste gas to comply with the emission standard
Hsichou Plant electrostatic precipitator	1 set	2012.03.14	6,705	827	Treatment of waste gas to comply with the emission standard

Equipment name	Quantity	Acquisition date	Investment and modification cost	Nondepreciating balance amount	Purpose and expected possible benefit
Hsichou Plant setting electrostatic precipitator	1 set	2015.11.09	9,834	4,683	Treatment of waste gas to comply with the emission standard
Hsichou Plant waste water treatment construction	1 set	1999.11.16	9,910	706	Treatment of waste water to comply with the discharge standard
Dayuan Plant setting electrostatic precipitator	1 set	2010.10.01	6,816	53	Treatment of waste gas to comply with the emission standard
Dayuan Plant waste water treatment system improvement construction	1 set	2013.10.28	22,202	3,386	Treatment of waste water to comply with the discharge standard
Dayuan Plant waste water treatment equipment Phase 2 construction	1 set	2014.07.01	10,733	2,813	Treatment of waste water to comply with the discharge standard
Eclat Textile Co., Ltd (Vietnam) living sewage treatment system	1 set	2015.12.28	4,726	1,890	Treatment of waste water to comply with the discharge standard
Eclat Fabrics Co., Ltd (Vietnam) waste water system equipment	1 set	2015.01.01	28,016	20,544	Treatment of waste water to comply with the discharge standard (Class A standard)
Eclat Fabrics Co., Ltd (Vietnam) setting electrostatic precipitator	1 set	2009.06.01	9,245	452	Treatment of waste gas to comply with the emission standard
Eclat Fabrics Co., Ltd (Vietnam) setting electrostatic precipitator	1 set	2018.12.06	17,758	17,610	Treatment of waste gas to comply with the emission standard
Tai-Yuan Garments Co., Ltd. living sewage treatment system	1 set	2015.03.26	2,409	2,040	Treatment of waste water to comply with the discharge standard
Colltex Garment Mfy Co., Ltd.(VN) living sewage treatment system	1 set	2016.03.16	2,471	1,029	Treatment of waste water to comply with the discharge standard

Equipment name	Quantity	Acquisition date	Investment and modification cost	Nondepreciating balance amount	Purpose and expected possible benefit
Colltex Garment Mfy Co., Ltd.(VN) living sewage treatment system	1 set	2018.04.03	2,354	2,040	Treatment of waste water to comply with the discharge standard
E-TOP (Vietnam) Co., Ltd. living sewage treatment system	1 set	2018.09.05	8,786	8,653	Treatment of waste water to comply with the discharge standard

3. History of environment protection improvement of the company in the recent years to the printing date of the annual report:

Factory	Project	2017	2018
Hsichou Plant	Replacement of lighting into high power LED lighting fixtures	Saving electricity of 320,000 kWh	Saving electricity of 101,280 kWh
Miao-li Plant	Sludge drying and weight reduction operation	Reduction amount of 635 tons	Reduction amount of 597 tons
Dayuan Plant	Sludge drying and weight reduction operation	Reduction amount of 1,265 tons	Reduction amount of 1,203 tons
Dayuan Plant	Team condensing water recycling and reuse	Saving water of 63,966 tons	Saving water of 67,944 tons

4. Total amount of losses (including indemnification) and penalties of the company in recent years and up to the printing of the annual report due to environmental pollution and future countermeasures as well as possible expenses: None.

5.5 Labor Relations:

5.5.1 Employee Benefits Programs:

The company values humanity and people caring the most, as one of the operation principles. Caring employees both physically and mentally and providing them sufficient hygiene factors, the company often initiates and sponsors employee welfare relevant programs to enable employees to concentrate at work with their best efforts. Moreover, an Employee Welfare Committee is established to plan and execute welfare related activities for all employees. The current employee welfare programs mainly consists of as follows:

1. Regular benefits:

National health insurance, labor insurance, group insurance, traveling safety insurance, appropriation of pension reserve, appropriation of overdue wage repayment fund and appropriation of occupational disaster insurance.

2. Special benefits:

Happy day (Getting off work one hour earlier) once a week, health examination, commute vehicle, overseas employee dormitory (application based), meal and dining subsidy, library, fitness center, yoga class, nursery room, rent and education allowance for overseas employee

3. Employee Welfare Committee activities:

Monthly birthday gift giving, employees and department gathering lunch/dinner twice a year, company trips, and welfare fund subsidy for marriage and funeral events, holiday benefits.

5.5.2 Employee Development and Training Programs:

The Company provides training courses to employees timely, including the new employee orientation, on-the-job training (OJT), management skills training and other advanced trainings. In addition, the company also provides customized training on professional knowledge and skills to employees of different job functions.

In 2018, the trainings (including internal and external trainings) organized by the company have a total of 59,178 personnel participating in such trainings; approximately 269,359 training hours; the annual training expense is approximately NTD 1,795 thousand.

5.5.3 Retirement Program and Status quo:

The Company handles the employee retirement program in accordance with relevant laws of competent authority, and the retirement program covers all officially employed staff. According to the requirements of the regulations, the “Labor Standards Act” is applicable to the payment of employee pension fund, and the calculation of the pension is based on the base figure obtained from the service period and the average of monthly salary of six months before the retirement. Regarding the aforementioned number of bases, two bases are given to each full year of service rendered for the service of the first 15 years, and starting from the sixteenth year, one base is given to each full year of service rendered. Under such retirement regulations, the full amount of the pension payment is completely borne by the company.

Since the implementation of the “Labor Pension Act” (hereinafter referred to as the “new system”) on July 1, 2005, employees may choose

to apply the “Labor Standards Act” or choose to use the new system and reserve the service years before the application of the Act. For employees with the applicability of the original “Labor Standards Act” choose to the use of the new system for the service year or employees on board at work after the implementation of the new system, then their service years are changed to the defined contribution plan, and the payment of the pension is handled by the company through the appropriation of no less than 6% of the monthly wage on a monthly basis for saving into each worker's individual pension account.

5.5.4 Important Agreements between Labor and Employer:

With an approval of the board of directors in this fiscal year, under the circumstance that the company continue to grow and make profit, all employees are entitled a salary raise of 3% to 5% in average to keep up with inflation, in addition to the distribution of individual performance bonus.

5.5.5 Preservation mechanism of welfare and benefits of employees

People managers of each department not only have effective communication with their staff through periodic business meetings, production and sales meetings, as well as individual performance review occasions, but through a yearly employee opinion survey, in which both parties have transparent two-way communication and confirmation about improvement directions. All of such activities make a harmonic labor relation.

Besides, the company sets up a suggestion box and various grievance channels, served by the designated staff to give instant response and make sure no infringement on employees’ rights.

5.5.6 Up to date, there have been no labor disputes in the company; therefore, the company has not suffered loss due to labor dispute. Under the harmonic labor relations, the possibility of loss due to labor dispute in the future is slim.

5.6 Important contracts: None.

VI. Financial Overview

6.1 Five-Year Financial Summary

(1) Condensed Balance Sheet and Comprehensive Income Statement - International Financial Reporting Standards (IFRS) – Consolidated

Condensed Balance sheet

Unit : NTD1,000

Year Item		Financial information for the most recent 5 years (Note 1)					Year-to-date Financial information on March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
Current assets		8,064,983	10,671,694	12,953,047	9,554,854	11,393,505	12,186,237
Property, plant and equipment		6,563,445	6,591,047	6,416,816	9,916,705	10,037,149	10,034,087
Intangible assets		22,525	22,084	37,889	24,969	20,547	23,846
Other assets		273,729	397,343	500,314	569,886	689,681	721,555
Total assets		14,924,682	17,682,168	19,908,066	20,066,414	22,140,882	22,965,725
Current liabilities	Before distribution	5,072,923	5,494,197	4,605,016	4,856,740	5,194,388	5,053,189
	After distribution	7,160,822	8,318,564	7,429,383	7,463,227	Undistributed	Undistributed
Non-current liabilities		374,068	413,642	206,850	137,428	15,464	70,237
Total Liabilities	Before distribution	5,446,991	5,907,839	4,811,866	4,994,168	5,209,852	5,123,426
	After distribution	7,534,890	8,732,206	7,636,233	7,600,655	Undistributed	Undistributed
Equity attributable to Shareholders of the parent		9,477,691	11,774,329	15,096,200	15,072,246	16,931,030	17,842,299
Share capital		2,609,874	2,609,874	2,689,874	2,743,671	2,743,671	2,743,671
Capital surplus		1,152,238	1,289,437	3,769,437	3,769,437	3,769,547	3,769,547
Retained Earnings	Before distribution	5,583,418	7,662,568	8,482,497	8,663,238	10,424,674	11,323,559
	After distribution	3,495,519	4,838,201	5,604,333	6,056,751	Undistributed	Undistributed
Other equity		132,161	212,450	154,392	(104,100)	(6,862)	5,522
Treasury shares		0	0	0	0	0	0
Non-controlling interests		0	0	0	0	0	0
Total Equity	Before distribution	9,477,691	11,774,329	15,096,200	15,072,246	16,931,030	17,842,299
	After distribution	7,389,792	8,949,962	12,271,833	12,465,759	Undistributed	Undistributed

* If the Company has prepared individual financial report, the Individual Condensed Balance Sheet and Comprehensive Income Statement for the Most Recent Five Years shall be prepared.

Note 1: Please refer to the financial information adopting the financial accounting standards of the R.O.C.

Note 2: 2019 1st quarter financial information had been reviewed by the independent auditor.

Condensed Comprehensive Income Statement

Unit : NTD1,000

Year Item	Financial information for the most recent 5 years (Note 1)					Year-to-date Financial information on March 31, 2019 (Note 2)
	2014	2015	2016	2017	2018	
Operating Revenue	20,842,752	25,520,749	24,525,694	24,231,970	27,578,209	6,244,297
Gross profit	5,471,136	7,153,553	7,009,916	6,666,213	7,947,510	1,728,322
Operating Income (Loss)	3,507,127	4,838,471	4,701,573	4,198,922	5,305,282	1,108,937
Non-operating income and expenses	231,279	282,564	(50,921)	(436,304)	167,867	18,593
Profit before tax	3,738,406	5,121,035	4,650,652	3,762,618	5,473,149	1,127,530
Continuing operations Net income	3,004,221	4,173,780	3,764,689	3,068,019	4,381,938	901,522
Loss of discontinuing operation	0	0	(105,172)	(15,964)	(2,184)	(588)
Net income	3,004,221	4,173,780	3,659,517	3,052,055	4,379,754	900,934
Total other comprehensive income (loss) (Net, after tax)	112,735	73,558	(73,279)	(251,642)	85,407	12,384
Total comprehensive income	3,116,956	4,247,338	3,586,238	2,800,413	4,465,161	913,318
Net profit attributed to Shareholders of the Parent	3,003,519	4,173,780	3,659,517	3,052,055	4,379,754	900,934
Net profit attributed to non-controlling interests	702	0	0	0	0	0
Total comprehensive income attributed to owners of the parent	3,127,068	4,247,338	3,586,238	2,800,413	4,465,161	913,318
Comprehensive income attributable to non-controlling shareholders	(10,112)	0	0	0	0	0
Earnings Per Share	11.51	15.99	13.40	11.12	15.96	3.28

* If the Company has prepared individual financial report, the Individual Condensed Balance Sheet and Comprehensive Income Statement for the Most Recent Five Years shall be prepared.

Note 1: Please refer to the financial information adopting the financial accounting standards of the R.O.C.

Note 2: 2019 1st quarter financial information has been reviewed by the independent auditor.

Note 3: Earnings per share has been calculated based on the issued common shares with the weighted average method. For the increased number of shares due to capitalization from earnings or capital surplus, retroactive adjustment is made for the calculation.

(2) Condensed Balance Sheet and Comprehensive Income Statement - IFRS - Individual

Condensed Balance sheet

Unit : NTD1,000

Item \ Year		Financial information for the most recent 5 years (Note 1)					Year-to-date Financial information on March 31, 2019
		2014	2015	2016	2017	2018	
Current assets		6,894,639	9,664,748	11,383,151	8,356,609	9,976,078	
Investment accounted for using the equity method		2,704,211	2,790,302	3,967,051	3,690,579	3,860,948	
Property, plant and equipment		2,647,642	2,546,506	2,627,834	6,158,612	6,149,445	
Intangible assets		10,921	9,081	27,339	15,713	9,104	
Other assets		45,949	155,528	74,383	86,947	210,834	
Total assets		12,303,362	15,166,165	18,079,758	18,308,460	20,206,409	
Current liabilities	Before distribution	2,535,323	3,068,210	2,808,860	3,107,052	3,265,929	
	After distribution	4,623,222	5,892,577	5,633,227	5,713,539	Undistributed	
Non-current liabilities		290,348	323,626	174,698	129,162	9,450	Not applicable
Total liabilities	Before distribution	2,825,671	3,391,836	2,983,558	3,236,214	3,275,379	
	After distribution	4,913,570	6,216,203	5,807,925	5,842,701	Undistributed	
Equity attributable to Shareholders of the parent		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	
Share capital		2,609,874	2,609,874	2,689,874	2,743,671	2,743,671	
Capital surplus		1,152,238	1,289,437	3,769,437	3,769,437	3,769,547	
Retained Earnings	Before distribution	5,583,418	7,662,568	8,482,497	8,663,238	10,424,674	
	After distribution	3,495,519	4,838,201	5,604,333	6,056,751	Undistributed	
Other equity		132,161	212,450	154,392	(104,100)	(6,862)	
Treasury shares		0	0	0	0	0	
Non-controlling interests		Not applicable	Not applicable	Not applicable	Not applicable	Not applicable	

Year Item		Financial information for the most recent 5 years (Note 1)					Year-to-date Financial information on March 31, 2019
		2014	2015	2016	2017	2018	
Total Equity	Before distribution	9,477,691	11,774,329	15,096,200	15,072,246	16,931,030	
	After distribution	7,389,792	8,949,962	12,271,833	12,465,759	Undistributed	

* If the Company has prepared individual financial report, the Individual Condensed Balance Sheet and Comprehensive Income Statement for the Most Recent Five Years shall be prepared.

Note 1: Please refer to the financial information adopting the financial accounting standards of the R.O.C.

Condensed Comprehensive Income Statement

Unit : NTD1,000

Year Financial information for the most recent 5 years (Note 1) Year-to-date Financial information on March 31, 2019						
	2014	2015	2016	2017	2018	
Operating Revenue	20,821,193	25,508,528	24,506,137	24,196,831	27,558,271	
Gross profit	5,234,627	6,679,228	6,548,812	6,163,277	7,307,776	
Operating Income (Loss)	3,637,153	4,804,733	4,630,026	4,134,585	5,188,123	
Non-operating income and expenses	95,762	301,435	-94,803	-407,742	266,326	
Profit before tax	3,732,915	5,106,168	4,535,223	3,726,843	5,454,449	
Continuing operations Net income	3,003,519	4,173,780	3,659,517	3,052,055	4,379,754	
Loss of discontinuing operations	0	0	0	0	0	
Net income (loss)	3,003,519	4,173,780	3,659,517	3,052,055	4,379,754	Not applicable
Total other comprehensive income (loss)(Net, after tax)	123,549	73,558	-73,279	-251,642	85,407	
Total comprehensive income	3,127,068	4,247,338	3,586,238	2,800,413	4,465,161	
Net profit Attributable to Shareholders of the parent						
Net profit attributed to non-controlling interests						
Total comprehensive income attributed to owners of the parent						

Comprehensive income attributable to non-controlling shareholders						
Earnings Per Share	11.51	15.99	13.4	11.12	15.96	

* If the Company has prepared individual financial report, the Individual Condensed Balance Sheet and Comprehensive Income Statement for the Most Recent Five Years shall be prepared.

Note 1: Please refer to the financial information adopting the financial accounting standards of the R.O.C.

Note 2: Earnings per share has been calculated based on the issued common shares with the weighted average method. For the increased number of shares due to capitalization from earnings or capital surplus, retroactive adjustment is made for the calculation.

(II) Names of auditors and audit opinions for the most recent 5 years

Year	Name of auditors' firm	Name of auditors	Audit opinion
2014	KPMG	Hui-Chih Kou, Chiu-Hua Wu	Unqualified opinion
2015	KPMG	Hui-Chih Kou, Hsin-Yi Kuo	Unqualified opinion
2016	KPMG	Hui-Chih Kou, Hsin-I Kuo	Unqualified opinion
2017	KPMG	Hsin-I Kuo, Hsiu-Lan Chen	Unqualified opinion
2018	KPMG	Hsin-I Kuo, Hsiu-Lan Chen	Unqualified opinion

6.2 Five-Year Financial Analysis:

(I) Financial Analysis - International Financial Reporting Standards (IFRS) - Consolidated

Analysis Item (Note 3)		Year (Note 1)	Financial analysis for the most recent 5 years					As of March 31, 2019 (Note 2)
			2014	2015	2016	2017	2018	
Financial structure (%)	Debt to assets ratio		36.50	33.41	24.17	24.89	23.53	22.31
	Long-term capital to property, plant & equipment ratio		150.10	184.92	238.48	153.37	168.84	178.52
Solvency %	Current ratio		158.98	194.24	281.28	196.73	219.34	241.16
	Quick ratio		96.33	127.76	206.65	106.08	134.39	156.36
	Times interest earned		13,081.03	14,219.98	14,604.73	14,109.30	11,912.89	6,470.59
Management capacity	Receivables turnover ratio (times)		8.32	8.75	7.97	7.44	7.63	7.19
	Average collection days		44	42	46	49	47	50
	Inventory turnover ratio (times)		4.85	5.51	5.07	4.60	4.58	4.28
	Payables turnover ratio (times)		10.46	12.22	11.27	10.25	11.29	11.37
	Days sales outstanding		75	66	72	79	79	85
	Property, plant and equipment turnover ratio (times)		3.61	3.88	3.77	2.97	2.76	2.49
	Total asset turnover (times)		1.52	1.57	1.30	1.21	1.31	1.11
Profitability	Return on asset (%)		22.05	25.79	19.61	15.38	20.93	16.29
	Return on equity (%)		34.15	39.28	27.24	20.23	27.37	20.73
	Income before tax to Paid-in Capital ratio (%)		143.24	196.22	172.89	137.14	199.48	41.10
	Net Profit Margin (%)		14.41	16.35	14.92	12.60	15.88	14.43
	Earnings per Share (EPS) (NT\$)		11.51	15.99	13.40	11.12	15.96	3.28
Statement of Cash Flows	Cash flow ratio (%)		61.97	84.88	93.25	58.60	95.44	34.64
	Cash flow adequacy ratio (%)		80.80	99.29	104.82	77.91	88.79	96.19

Analysis Item (Note 3)	Year (Note 1)	Financial analysis for the most recent 5 years					As of March 31, 2019 (Note 2)
		2014	2015	2016	2017	2018	
	Cash reinvestment ratio (%)	11.48	16.40	7.62	0.11	10.62	7.56
Leverage	Operating leverage	1.90	1.84	1.90	1.83	1.72	1.89
	Financial leverage	1.01	1.01	1.01	1.01	1.01	1.02

Explanations for the variations of financial ratios for the last 2 years. (If the variation of increase/decrease is less than 20%, analysis may be exempted.)

* Explanations for the variations of financial ratios reaching 20% for the last 2 years:

1. The increase of the quick ratio was mainly due to that there was no major capital expense in 2018, and the issuance amount of cash dividends was reduced, such that the cash inventory increased.
2. The increase of profitability is mainly due to the market recovery in the current period and the cost has been controlled properly, along with the appreciation of USD and the overall profit status is excellent as well as the significant increase of profit before tax.
3. Cash flow ratio and cash reinvestment ratio are increased due to excellent overall profit status, and the cash flow from operating activities increases.
4. The decrease of Times interest earned, which caused interest increased, is due to the increase of factoring and recognition of the finance leasing interest expense by adoption of IFRS 16 since 2019.

* If the Company has prepared individual financial report, the Individual Financial Ratio Analysis of the Company shall be further prepared.

Note 1: The fiscal year not yet audited by the independent auditors shall be indicated.

Note 2: Publicly listed company or companies with stocks traded at securities firm business places shall also incorporate the financial information up to the quarter before the printing date of the annual report for that year into analysis.

Note 3: Calculation formulas as follows:

1. Financial structure

(1) Debt to asset ratio = Total liabilities / Total assets

(2) Long-term capital to property, plant & equipment ratio = (Total equity + non-current liabilities) / net property, plant & equipment.

2. Solvency

(1) Current ratio = current assets / current liabilities.

(2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.

(3) Times interest earned = net profit before interest and tax / interest expenses for the current period.

3. Management capacity

(1) Receivables turnover ratio (including account receivables and note receivables from operating activities) = net sales / average receivables balance (including account

receivables and note receivables from operating activities).

(2) Average collection days = $365 / \text{receivables turnover ratio}$.

(3) Inventory turnover ratio = $\text{cost of sales} / \text{average inventory}$.

(4) Payables turnover ratio (including account payables and note payables from operating activities) = $\text{cost of sales} / \text{average payables balance (including account payables and note payables from operating activities)}$.

(5) Days sales outstanding = $365 / \text{Inventory turnover ratio}$.

(6) Property, plant and equipment turnover ratio = $\text{net sales} / \text{average net property, plant and equipment}$.

(7) Total asset turnover = $\text{net sales} / \text{average total assets}$.

4. Profitability

(1) Return on assets = $(\text{net Income} + \text{interest expenses} * (1 - \text{effective tax rate})) / \text{average total assets}$.

(2) Return on equity = $\text{net income} / \text{average equity}$.

(3) Net profit margin = $\text{net Income} / \text{net Sales}$

(4) Earnings per share = $(\text{net profit or loss attributed to shareholders of the parent} - \text{preference dividend}) / \text{weighted average number of shares outstanding (Note 4)}$

5. Cash flow

(1) Cash flow ratio = $\text{net cash provided by operating activities} / \text{current liabilities}$

(2) Cash flow adequacy ratio = $\text{five-year sum of cash from operations} / \text{five-year (sum of capital expenditures, inventory additions, and cash dividend)}$

(3) Cash reinvestment ratio = $(\text{net cash provided by operating activities} - \text{cash dividends}) / (\text{gross property, plant and equipment} + \text{long-term investments} + \text{other non-current assets} + \text{working capital})$ (Note 5)

6. Leverage:

(1) Operating leverage = $(\text{net operating revenue} - \text{operating variable cost and expense}) / \text{operating income}$ (Note 6).

(2) Financial leverage = $\text{operating income} / (\text{operating income} - \text{interest expenses})$

Note 4: The aforementioned calculation equation for earnings per share, please be aware of the following during the measurement:

1. It is calculated based on the number of weighted average outstanding common shares, rather than based on the number of shares already issued by the end of year.
2. For cash capital increase or treasury shares transactions, the circulation period has been considered in order to calculate the number of weighted average shares.
3. For earning converting into capital increase or capital surplus converting into capital increase, during the calculation of the earning per share for the previous year and semi-annually, retroactive adjustment has been made according to the ratio of the capital increase, but the issuance period of the capital increase is not yet considered.

Note 5: During the measurement of the cash flow analysis, please be aware of the following:

1. Net cash flow from operating activities refers to the net cash inflow from operating activities

in the statement of cash flows.

2. Capital expense refers to the cash outflow of capital investment in each year.
3. Inventory increase is only counted when the ending balance is greater than the opening balance. If the inventory at the end of year decreases, then it is counted as zero for the calculation.
4. Cash dividends include the cash dividends of common stocks and preference shares.
5. Gross property, plant and equipment refer to the total amount of property, plant and equipment before deduction of accumulated depreciation.

Note 6: Issuer shall classify the operating cost and operating expense into fixed and variable. In case where estimation or subjective judgment is involved, issuer shall be aware of its reasonability and shall maintain the consistency of such cost and expense.

(II) Financial Analysis - International Financial Reporting Standards
(IFRS) - Individual

Analysis \ Year		Financial analysis for the most recent 5 years					As of March 31, 2019
		2014	2015	2016	2017	2018	
Financial structure (%)	Debt to assets ratio	22.97	22.36	16.50	17.68	16.21	
	Long-term capital to property, plant & equipment ratio	368.93	475.08	581.12	246.83	275.48	
Solvency %	Current ratio	271.94	315.00	405.26	268.96	305.46	
	Quick ratio	172.14	213.75	301.19	147.57	195.41	
	Times interest earned	266,736.79	848,300.66	1,077,350.12	791,361.78	80,667.93	Not applicable
Management capacity	Receivables turnover ratio (times)	8.33	8.75	7.97	7.44	7.63	
	Average collection days	44.00	42.00	46.00	49.00	48.00	
	Inventory turnover ratio (times)	6.11	6.86	6.10	5.49	5.61	
	Payables turnover ratio (times)	10.94	12.28	10.89	10.20	11.47	
	Days sales outstanding	60.00	53.00	60.00	66.00	61.00	
	Property, plant and equipment turnover ratio (times)	7.86	10.02	9.33	3.93	4.48	
	Total asset turnover (times)	1.79	1.86	1.47	1.33	1.43	
Profitability	Return on asset (%)	25.84	30.39	22.02	16.78	22.77	
	Return on equity (%)	34.16	39.28	27.24	20.23	27.37	
	Income before tax to Paid-in Capital ratio (%)	143.03	195.65	168.60	135.83	198.80	
	Net Profit Margin (%)	14.43	16.36	14.93	12.61	15.89	

Analysis \ Year	Year	Financial analysis for the most recent 5 years					As of March 31, 2019
		2014	2015	2016	2017	2018	
	Earnings per Share (EPS) (NT\$)	11.51	15.99	13.40	11.12	15.96	
Statement of Cash Flows	Cash flow ratio (%)	117.76	133.88	135.82	79.03	135.09	
	Cash flow adequacy ratio (%)	107.17	122.82	125.22	88.63	98.53	
	Cash reinvestment ratio (%)	10.91	14.67	5.81	(2.14)	9.52	
Leverage	Operating leverage	1.42	1.38	1.37	1.44	1.33	
	Financial leverage	1.00	1.00	1.00	1.00	1.00	
Explanations for the variations of financial ratios for the last 2 years. (If the variation of increase/decrease is less than 20%, analysis may be exempted.) * Explanations for the variations of financial ratios reaching 20% for the last 2 years: 1. The increase of the quick ratio was mainly due to that there was no major capital expense in 2018, and the issuance amount of cash dividends was reduced, such that the cash inventory increased. 2. The decrease of times interest earned is mainly due to the signing of accounts receivable factoring contract with the bank, and prepayment is made such that interest expense increases. 3. The increase of profitability is mainly due to the market recovery in the current period and the cost has been controlled properly, along with the appreciation of USD and the overall profit status is excellent as well as the significant increase of profit after tax. 4. Cash flow ratio and cash reinvestment ratio are increased due to excellent overall profit status, and the cash flow from operating activities increases.							

[Explanation] Calculation formulas as follows:

1. Financial structure

- (1) Debt to asset ratio = Total liabilities / Total assets
- (2) Long-term capital to property, plant & equipment ratio = (Total equity + non-current liabilities) / net property, plant & equipment.

2. Solvency

- (1) Current ratio = current assets / current liabilities.
- (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities.
- (3) Times interest earned = net profit before interest and tax / interest expenses for the current period.

3. Management capacity

- (1) Receivables turnover ratio (including account receivables and note receivables from operating activities) = net sales / average receivables balance (including account receivables and note receivables from operating activities).
- (2) Average collection days = 365 / receivables turnover ratio.
- (3) Inventory turnover ratio = cost of sales / average inventory
- (4) Payables turnover ratio (including account payables and note payables from operating activities) = cost of sales / average payables balance (including account payables and note payables from operating activities).
- (5) Days sales outstanding = 365 / Inventory turnover ratio °
- (6) Property, plant and equipment turnover = net sales / average net Property, plant and equipment.
- (7) Total asset turnover = net sales / average total assets.

4. Profitability

- (1) Return on assets = (net Income + interest expenses * (1 - effective tax rate)) / average total assets.
- (2) Return on equity = net Income / Average equity.
- (3) Net profit margin = net Income / net Sales
- (4) Earnings per share = (Profit after tax - Preference dividend) / weighted average number of shares outstanding. (Note 4)

5. Cash flow

- (1) Cash flow ratio = net cash provided by operating activities / current liabilities
- (2) Cash flow adequacy ratio = five-year sum of cash from operations / five-year (sum of capital expenditures, inventory additions, and cash dividend).
- (3) Cash reinvestment ratio = (Net cash provided by operating activities - cash dividends) / (gross property, plant and equipment + long-term investments + other non-current assets + working capital). (Note 5)

6. Leverage:

- (1) Operating leverage = (net operating revenue - operating variable cost and expense) / operating income (Note 6).
- (2) Financial leverage = operating income / (operating income - interest expenses)

6.3 Audit Committee's Review Report in the Most Recent Year

Audit Committee's Review Report

The Board of Directors prepares and submits the 2018 Business Report, Financial Statements and Profit Distribution Proposal etc., where the financial statements had been audited by KPMG's CPA Hsin-I Kuo and CPA Hsiu-Lan Chen, and financial reports (including consolidated financial report) are issued. The aforementioned Business Report, Financial Statements and Profit Distribution Proposal have been reviewed by the Audit Committee and are considered to be conformed to requirements. Consequently, it is reported for review according to Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act.

Respectfully submitted

The Company's 2019 Annual General Shareholders' Meeting

Eclat Textile Co., Ltd.

Audit Committee Convener: Ya-Kang Wang

March 14, 2019

6.4 Consolidated Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

Independent Auditors' Report

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

Opinion

We have audited the accompanying consolidated financial statements of Eclat Textile Co., Ltd. and Its subsidiaries (the "Group"), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor' s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Group are stated as follows:

1. Revenue recognition

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

How the matter was addressed in our audit

Revenue recognition of the Group is the main concern of the consolidated financial report users in addition, the group has adopted IFRS 15 "Revenue from Contracts with Customers" since 2018. Therefore, the assessment of revenue recognition is one of the key audit items in our audit.

Our principal audit procedures included:

According to new standards, understanding for operation and industry characteristics to evaluate appropriateness on accounting policies; testing the design and implementation of internal control over revenue recognition, inspecting the accuracy of revenue recognition, and reconciling between sales systems and general ledger; analyzing the Group's main sources of revenues to evaluate whether there are major anomalies; analyzing the trend of revenue from different products to compare the difference between actual and budget; analyzing the agreements of selected customers to understand the sales terms and conditions for revenue recognition and to further inspect related transaction documents to ensure the revenue is recorded in the appropriate period.

2. Assessment of inventories

Please refer to Note 4(h) for details of the accounting policies of inventories and Note 6(c) for relevant disclosures of inventories of the consolidated financial.

How the matter was addressed in our audit

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

Our principal audit procedures included:

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

Other Matter

The Group has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

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

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements free from material misstatement due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the consolidated financial statements, due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuo Hsin Yi and Chen Hsiu Lan.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent 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 independent auditors' report and consolidated financial statements, the Chinese version shall prevail.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017				December 31, 2018		December 31, 2017	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6 (a))	\$ 2,905,110	13	1,439,958	7	2100	Short-term borrowings (note 6 (g))	\$ 1,629,979	8	1,481,155	7
1150	Notes receivable(including related parties) (notes 6 (b) and 7)	2,065	-	9,994	-	2150	Notes payable	262,688	1	301,660	2
1170	Accounts receivable, net (note 6 (b))	3,807,473	17	3,401,420	17	2170	Accounts payable	1,354,199	6	1,552,586	8
1200	Other receivables, net	86,072	-	16,070	-	2180	Accounts payable to related parties (note 7)	1,926	-	3,324	-
1310	Inventories, net (note 6 (c))	4,264,587	19	4,295,782	22	2200	Other payables (note 6 (h))	1,107,364	5	1,023,675	5
1460	Non-current assets classified as held for sale (note 6 (d))	11,257	-	13,676	-	2230	Current tax liabilities	732,541	3	410,861	2
1470	Other current assets (notes 6 (f) and 8)	316,941	2	377,954	2	2399	Other current liabilities, others	105,691	1	83,479	-
Total current assets		11,393,505	51	9,554,854	48	Total current liabilities		5,194,388	24	4,856,740	24
Non-current assets:						Non-current liabilities:					
1550	Investments accounted for using equity method	26,083	-	32,638	-	2570	Deferred tax liabilities (note 6 (i))	5,946	-	367	-
1600	Property, plant and equipment (notes 6 (e), 7 and 8)	10,037,149	46	9,916,705	50	2640	Net defined benefit liability, non-current (note 6 (h))	2,016	-	127,307	1
1780	Intangible assets	20,547	-	24,969	-	2645	Guarantee deposits received	1,488	-	1,488	-
1840	Deferred tax assets (note 6 (i))	20,381	-	60,735	-	2670	Other non-current liabilities, others	6,014	-	8,266	-
1900	Other non-current assets (note 6 (f))	643,217	3	476,513	2	Total non-current liabilities		15,464	-	137,428	1
Total non-current assets		10,747,377	49	10,511,560	52	Total liabilities		5,209,852	24	4,994,168	25
						Equity (Note 6 (j)):					
						3110	Ordinary share	2,743,671	12	2,743,671	14
						3200	Capital surplus	3,769,547	17	3,769,437	19
						Retained earnings:					
						3310	Legal reserve	2,318,613	11	2,013,408	10
						3320	Special reserve	104,100	-	-	-
						3350	Unappropriated retained earnings	8,001,961	36	6,649,830	33
						Total retained earnings		10,424,674	47	8,663,238	43
						3490	Other equity, others	(6,862)	-	(104,100)	(1)
						Total equity		16,931,030	76	15,072,246	75
Total assets		\$ 22,140,882	100	20,066,414	100	Total liabilities and equity		\$ 22,140,882	100	20,066,414	100

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Share)

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (notes 6 (l)(m), 7 and 14)	\$ 27,578,209	100	24,231,970	100
5000	Operating costs (notes 6 (c)(e)(h)(n), 7 and 12)	<u>19,630,699</u>	<u>71</u>	<u>17,565,757</u>	<u>72</u>
	Gross profit from operations	<u>7,947,510</u>	<u>29</u>	<u>6,666,213</u>	<u>28</u>
	Operating expenses (notes 6(b)(e)(h)(n), 7 and 12):				
6100	Selling expenses	1,442,736	5	1,370,850	5
6200	Administrative expenses	1,055,683	4	932,978	4
6300	Research and development expenses	<u>143,809</u>	<u>1</u>	<u>163,463</u>	<u>1</u>
	Total operating expenses	<u>2,642,228</u>	<u>10</u>	<u>2,467,291</u>	<u>10</u>
	Net operating income	<u>5,305,282</u>	<u>19</u>	<u>4,198,922</u>	<u>18</u>
	Non-operating income and expenses (note 6 (o)):				
7010	Other income	21,554	-	76,776	-
7020	Other gains and losses, net	197,255	1	(480,021)	(2)
7050	Finance costs	(46,332)	-	(26,858)	-
7060	Share of loss of associates accounted for using equity method, net	<u>(4,610)</u>	<u>-</u>	<u>(6,201)</u>	<u>-</u>
	Total non-operating income and expenses	<u>167,867</u>	<u>1</u>	<u>(436,304)</u>	<u>(2)</u>
7900	Income before income tax	5,473,149	20	3,762,618	16
7950	Less: Tax expense (note 6 (i))	<u>1,091,211</u>	<u>4</u>	<u>694,599</u>	<u>3</u>
	Profit from continuing operations	4,381,938	16	3,068,019	13
8100	Loss from discontinued operations, net of tax (note 12(b))	<u>(2,184)</u>	<u>-</u>	<u>(15,964)</u>	<u>-</u>
8200	Profit	<u>4,379,754</u>	<u>16</u>	<u>3,052,055</u>	<u>13</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6 (h))	(11,831)	-	6,850	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(11,831)</u>	<u>-</u>	<u>6,850</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	121,546	-	(311,436)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss (note 6 (i))	<u>(24,308)</u>	<u>-</u>	<u>52,944</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>97,238</u>	<u>-</u>	<u>(258,492)</u>	<u>(1)</u>
8300	Other comprehensive income, net of income tax	<u>85,407</u>	<u>-</u>	<u>(251,642)</u>	<u>(1)</u>
8500	Total comprehensive income	<u><u>\$ 4,465,161</u></u>	<u><u>16</u></u>	<u><u>2,800,413</u></u>	<u><u>12</u></u>
	Earnings per share (notes 6(k) and 12(b))				
9750	Basic earnings per share (in dollars)				
	Basic earnings per share from continuing operations	\$ 15.97		11.18	
	Basic loss per share from discontinued operations	<u>(0.01)</u>		<u>(0.06)</u>	
	Total basic earnings per share	<u><u>\$ 15.96</u></u>		<u><u>11.12</u></u>	
9850	Diluted earnings per share (in dollars)				
	Diluted earnings per share from continuing operations	\$ 15.97		11.18	
	Diluted loss per share from discontinued operations	<u>(0.01)</u>		<u>(0.06)</u>	
	Total diluted earnings per share	<u><u>\$ 15.96</u></u>		<u><u>11.12</u></u>	

See accompanying notes to consolidated financial statements.

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

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity		
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
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
Profit	-	-	-	-	3,052,055	3,052,055	-	3,052,055
Other comprehensive income	-	-	-	-	6,850	6,850	(258,492)	(251,642)
Total comprehensive income	-	-	-	-	3,058,905	3,058,905	(258,492)	2,800,413
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	365,952	-	(365,952)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,824,367)	(2,824,367)	-	(2,824,367)
Stock dividends of ordinary share	53,797	-	-	-	(53,797)	(53,797)	-	-
Balance at December 31, 2017	2,743,671	3,769,437	2,013,408	-	6,649,830	8,663,238	(104,100)	15,072,246
Profit	-	-	-	-	4,379,754	4,379,754	-	4,379,754
Other comprehensive income	-	-	-	-	(11,831)	(11,831)	97,238	85,407
Total comprehensive income	-	-	-	-	4,367,923	4,367,923	97,238	4,465,161
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	305,205	-	(305,205)	-	-	-
Special reserve appropriated	-	-	-	104,100	(104,100)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,606,487)	(2,606,487)	-	(2,606,487)
Other changes in capital surplus	-	110	-	-	-	-	-	110
Balance at December 31, 2018	\$ 2,743,671	3,769,547	2,318,613	104,100	8,001,961	10,424,674	(6,862)	16,931,030

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from (used in) operating activities:		
Profit from continuing operations before tax	\$ 5,473,149	3,762,618
Loss from discontinued operations before tax	<u>(2,184)</u>	<u>(15,964)</u>
Profit before tax	<u>5,470,965</u>	<u>3,746,654</u>
Adjustments:		
Adjustments to reconcile profit		
Depreciation expense	819,864	771,430
Amortization expense	13,510	14,837
Interest expense	46,332	26,858
Interest income	(11,846)	(72,172)
Share of loss of associates accounted for using equity method	4,610	6,201
Loss on disposal of property, plant and equipment	<u>16,496</u>	<u>11,593</u>
Total adjustments to reconcile profit	<u>888,966</u>	<u>758,747</u>
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(398,124)	(314,085)
Decrease (increase) in inventories	31,027	(954,768)
Decrease (increase) in other current assets	80,227	(65,817)
Increase in other financial assets	(70,002)	(428)
(Increase) decrease in other operating assets	(11,995)	46,848
(Decrease) increase in notes and accounts payable	(238,757)	288,068
Increase in other payables	83,799	88,854
Increase (decrease) in other current liabilities	22,212	(3,001)
(Decrease) increase in net defined benefit liability	<u>(137,122)</u>	<u>2,458</u>
Total adjustments	<u>250,231</u>	<u>(153,124)</u>
Cash inflow generated from operations	5,721,196	3,593,530
Interest received	8,492	70,023
Interest paid	(46,332)	(26,858)
Income taxes paid	<u>(725,781)</u>	<u>(790,765)</u>
Net cash flows from operating activities	<u>4,957,575</u>	<u>2,845,930</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	-	(12,144)
Acquisition of property, plant and equipment	(798,416)	(4,643,220)
Proceeds from disposal of property, plant and equipment	729	83,385
Decrease in refundable deposits	2,466	653
Acquisition of intangible assets	(8,756)	(2,813)
Increase in prepayments for business facilities	(199,234)	(57,414)
Dividends received	<u>2,038</u>	<u>2,324</u>
Net cash flows used in investing activities	<u>(1,001,173)</u>	<u>(4,629,229)</u>
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	148,824	(28,467)
Repayments of long-term debt	-	(97,673)
Decrease in guarantee deposits received	-	(2,386)
(Decrease) increase in other non-current liabilities	(2,252)	8,266
Cash dividends paid	<u>(2,606,487)</u>	<u>(2,824,367)</u>
Net cash flows used in financing activities	<u>(2,459,915)</u>	<u>(2,944,627)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(20,078)</u>	<u>(7,927)</u>
Net increase (decrease) in cash and cash equivalents	1,476,409	(4,735,853)
Cash and cash equivalents at beginning of period	<u>1,439,958</u>	<u>6,189,487</u>
Cash and cash equivalents at end of period	<u><u>\$ 2,916,367</u></u>	<u><u>1,453,634</u></u>
Components of cash and cash equivalents		
Cash and cash equivalents reported in the statement of financial position	\$ 2,905,110	1,439,958
Non-current assets classified as held for sale, net	<u>11,257</u>	<u>13,676</u>
Cash and cash equivalents at end of period	<u><u>\$ 2,916,367</u></u>	<u><u>1,453,634</u></u>

See accompanying notes to consolidated financial statements.

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

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(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 subsidiaries (the “Group”) have mainly been involved in the manufacturing and marketing of knitwear. Please refer to note 4(c) for more details about the operation of the Group.

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

On March 14, 2019, the board of directors approved and noted the consolidated financial statements as of and for the year ended December 31, 2018.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

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.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Clarifications of 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

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(i) 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 the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts” .

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

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.

2) Impacts on financial statements

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

(ii) 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.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the Group’ s approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(g).

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations		Effective date per IASB
IFRS 16	“Leases”	January 1, 2019
IFRIC 23	“Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9	“Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19	“Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28	“Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015 – 2017 Cycle		January 1, 2019

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

(i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grant the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

- apply a single discount rate to a portfolio of leases with similar characteristics.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

- 3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated that the right-of-use assets and the lease liabilities to increase by \$109,120 thousand and \$111,181 thousand respectively, as well as the retained earnings to decrease by \$2,061 thousand on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Group is not required to make any adjustments for leases where the Group is the intermediate lessor in a sub-lease.

- (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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
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 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 “Definition of Material”	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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:

The significant accounting policies presented in the financial statements are summarized as follows. Except for Notes 3 and 4(g)(n), the following accounting policies were applied consistently through all reporting periods presented in the financial statements.

(a) Statement of compliance

The accompanying consolidated 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 the International Financial Reporting Standards, International Accounting Standards, and IFRIC and SIC Interpretations endorsed by the Financial Supervisory Commissions (hereinafter referred to as the IFRSs endorsed by the FSC.)

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the net defined benefit liabilities are measured at the fair value of the plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Group is determined based on the primary economic environment in which the entities operate. The consolidated financial statements are presented in New Taiwan Dollar, which is the Company’s functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Basis of Consolidation

(i) Principles of preparation consolidated financial statements

The consolidated financial statements comprise the Company and its subsidiaries. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions balances and any unrealized gains or losses between the Group and its subsidiaries have been eliminated while compiling the consolidated financial statements. The comprehensive income of the subsidiary is attributed to the parent, within equity.

Accounting policies of the subsidiaries have been adjusted to ensure consistency with the policies adopted by the Group.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

(ii) The subsidiaries in the consolidated financial statements

Investor	The name of subsidiaries	Business activity	Percentage of Ownership		Note
			December 31, 2018	December 31, 2017	
The Company	GRAND ELITE HOLDING INC. (Grand Elite)	Investments in securities, real estate, and manufacturing industry	100.00%	100.00%	
The Company	ECLAT CAYMAN ISLAND HOLDINGS (Eclat Cayman)	Investments in securities, real estate, and manufacturing industry	100.00%	100.00%	
Grand Elite	AEGIS INC. (Aegis)	Garment merchandise and manufacture	- %	100.00%	Note 1
Grand Elite	ECLAT TEXTILE (CAMBODIA) CO., LTD. (Eclat Textile (Cambodia))	Design, manufacture, processing and sale of clothing	100.00%	100.00%	
Eclat Cayman	Unison (Wuxi) Textile and Garment Inc.(Unison)	Design, manufacture, processing and sale of clothing	100.00%	100.00%	Note 2
Eclat Cayman	ECLAT TEXTILE CO., LTD (Vietnam) (Eclat Textile (VN))	Design, manufacture, processing and sale of clothing	100.00%	100.00%	
Eclat Cayman	ECLAT FABRICS (VIETNAM) CO., LTD. (Fabrics)	Knit fabric mills, printing, dyeing and finishing mill	100.00%	100.00%	
Eclat Cayman	E-TOP (VIETNAM) CO., LTD. (E-TOP (VN))	Design, manufacture, processing and sale of clothing	100.00%	100.00%	
Eclat Cayman	COLLTEx GARMENT MFY CO., LTD. (VN) (Colltex)	Design, manufacture, processing and sale of clothing	100.00%	100.00%	
Eclat Cayman	ECLAT ENTERPRISE LTD. (Eclat Enterprise)	Investments in securities, real estate, and manufacturing industry	100.00%	100.00%	
Eclat Cayman	TAI-YUAN GARMENTS CO., LTD. (TAI-YUAN (VN))	Design, manufacture, processing and sale of clothing	100.00%	100.00%	

Note 1: The BOD approved the dissolution and liquidation of Aegis on May 4, 2017. Aegis was dissolved on April 23, 2018.

Note 2: 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.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(iii) The subsidiaries are not included in the consolidated financial statements: none.

(d) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Group's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Group's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Group disposes only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(e) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current with one of the following rules; an entity shall classify all other assets as non-current:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting date; or
- (iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify a liability with one of the following rules as current; an entity shall classify all other liabilities as non-current:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash comprise cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits that meet the above requirements and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(g) Financial instruments

- (i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost.

The Group shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets shall be recognized, as applicable, using trade-date accounting.

2) Impairment of financial assets

The Group recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposit and other financial assets).

The Group measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment as well as forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group considers a financial asset to be in default when the financial asset is more than 180 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization;

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Financial assets (applicable before January 1, 2018)

The Group classifies financial assets into the following categories: loans and receivables

1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprised trade receivables and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

2) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

The carrying amount of a financial asset is reduced for an impairment loss, except for trade receivables, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

Recovery and loss on doubtful debts of account receivables are included in the operating expense and non-operating income; others are included in non-operating income and expense.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available for sale financial assets is recognized as profit or loss under non-operating income and expenses.

On partial derecognition of a financial assets, the relative fair value of the partial derecognized financial assets at the transfer date is used to apportion the original book value of the financial assets on a pro-rata basis, to the portion of continual recognition resulted from continual participation and of derecognition. The difference between the carrying amount apportioned to the portion of the derecognized and the sum of the consideration received or receivable from the derecognized and any cumulative gain or loss that had been recognized in other comprehensive income apportioned to the derecognized is recognized as profit or loss under non-operating income and expenses. Any cumulative gain or loss that had been recognized in other comprehensive income is apportioned to the portion of continual recognition and derecognition on a pro-rata basis of their fair value.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Equity instruments are any contractual agreement that can manifest the Group' s residual interest after assets, less, liabilities. Equity instruments issued are recognized based on amount of consideration received, less, the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss under non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities reported at fair value through profit or loss

Financial liabilities classified under this category are mainly the financial liabilities held-for-trading or financial liabilities reported at fair value through profit or loss.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The purposes of financial liabilities held-for-trading are for repurchasing or selling in short-term. Under the following conditions, financial liabilities will be recognized as financial liabilities reported at fair value through profit or loss.

- a) Measurement and recognition varies because of the elimination or material reduction of gain or loss with different measurement basis for assets and liabilities.
- b) Financial liabilities measured at fair value.
- c) Mixed instruments with embedded derivatives.

At initial recognition, this type of financial liabilities is measured at fair value; transaction costs are recognized as income or loss if occurred, and subsequent measurement is measured at fair value. Remeasurements of gains or losses, including relevant interest expense, are recognized as income or loss, and are reported under non-operating revenue and expenditure.

3) Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as fair value through profit or loss, which consist of loans and borrowings, and trade and other payables are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss under non-operating income and expenses.

4) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expenses.

5) Offsetting of financial liabilities and assets

The Group presents financial assets and liabilities on net basis when the Group has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Inventories

Inventories are necessary expenditures and charges for bringing the inventory to a salable and useable condition and location. In the case of manufactured overhead, cost includes an appropriate share of production overheads based on normal operating capacity of labor hours or machine hours and is allocated to finish goods and work-in-progress. Inventories are measured at the lower of cost and net realizable value subsequently and the cost of inventories is calculated using the monthly weighted-average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(i) Non current assets held for sale and discontinued operations

(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 or distribution 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 remeasured 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.

Impairment losses on assets initially classified as held for sale or held for distribution to owners 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 or held for distribution to owners 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.

(j) Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill that arose from the acquisition less any accumulated impairment losses.

The Group's separate financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Unrealized profits resulting from the transactions between the Group and an associate are eliminated to the extent of the Group's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Group's share of losses exceeds its interest in associates, or the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses should be discontinued except to the extent that the Consolidated Company has an obligation or has made payments on behalf of the investee.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprised the material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost eligible for capitalization. In addition, the cost also include the amount of the effective cash flow hedge resulted from the foreign currency purchase of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

When property, plant and equipment include different components, which are relatively material to the total cost of the item, different depreciation rate or methods may be applied. These components should be viewed as individual items (main parts) in the property, plant or equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expense.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure can be assessed reasonably, and will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated based on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciation amount of an asset is determined based on the cost, less, its residual value. The depreciation is assessed according to the material components of each item. If the useful life of one component is different from the others, this component should be depreciated individually. The depreciation charge for each period is recognized in profit or loss.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Land has an unlimited useful life, and therefore, is not depreciated. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings: 5 to 60 years.
- 2) Machinery and equipment: 2 to 25 years.
- 3) Transportation equipment: 3 to 8 years.
- 4) Office equipment: 5 to 9 years.
- 5) Miscellaneous equipment: 3 to 15 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expectation of useful lives differs from the previous estimate, the change is accounted for as a change in an accounting estimate.

(l) Intangible assets

(i) Goodwill

1) Initial recognition:

Goodwill acquired in a business combination is included in intangible assets.

2) Subsequent measurement:

Goodwill is measured at cost, less, accumulated impairment losses. Impairment loss on equity investment in investees accounted for under the equity method is not allocated to any asset, including goodwill that forms part of the carrying amount of such investment.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost, less, accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The amortizable amount is the cost of an asset or other amount substituted for cost, less, its residual value.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use, other than goodwill. The estimated useful lives for the current and comparative periods are as follows:

- 1) Software: 2 to 3 years.
- 2) Other intangible assets: 10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(m) Impairment of non-financial assets

Non-financial assets except for inventories, deferred tax assets are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Group shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount (fair value, less, cost to sell and value in use) for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for individual asset or a ("CGU") unit is the higher of its fair value, less costs to sell and its value in use.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(n) Revenue recognition

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Group manufactures and sells elastic fabrics and clothing. The Group recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

(ii) Revenue recognition (applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer. Recovery of the consideration is probable. The associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. International shipments transfer usually occurs upon loading the goods onto the relevant carrier at the port. For domestic sales, transfers occur upon issuing of receipt by the customer.

(o) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any fair value of any plan assets are deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on bonds (market yields of government bonds) that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by the employees, the expense is recognized immediately in profit or loss.

Remeasurement of the net defined benefit liabilities includes: (a) actuarial gains and losses; (b) return on plan assets, not including the amounts of net interest included in net defined benefit liabilities; and (c) any changes of the amounts of affecting of upper limits of assets, not including the amounts of net interests included in net defined benefit liabilities.

Remeasurement, comprising actuarial gains and losses, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings.

The Group recognized gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed when related service are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(p) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combination, or those recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to tax payable in prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments on subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(q) Earnings per share

The Group reports the basic earnings per share and the diluted earnings per share. The basic earnings per share are calculated based on the profit attributable to the ordinary shareholder of the Group divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Group, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may incur revenues and incur expenses. All operating results of the operating segments are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. Each operating segments has its own finance information.

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to 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.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Refer to note 4(h) inventories for information of accounting policies regarding assumptions and significant judgments which has material impact on the consolidated financial statements.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash	\$ 7,833	8,506
Bank deposits	2,026,374	899,394
Term deposits	<u>870,903</u>	<u>532,058</u>
Cash and cash equivalents	<u>\$ 2,905,110</u>	<u>1,439,958</u>

Please refer to note 6(p) for sensitivity analysis, exchange risk and interest rate risk of the financial assets and liabilities of the Group.

(b) Notes receivable and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable—operating activities	\$ 2,065	9,994
Accounts receivable	3,831,559	3,425,506
Less : allowance for doubtful accounts	<u>(24,086)</u>	<u>(24,086)</u>
Total	<u>\$ 3,809,538</u>	<u>3,411,414</u>

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows :

	Gross carrying amount	Weighted-aver age loss rate	Loss allowance provision
Current	\$ 3,711,713	0.49%	18,067
Within 30 days past due	117,174	3.22%	3,771
31~120 days past due	4,223	41.05%	1,734
Over 121 days past due	<u>514</u>	100.00%	<u>514</u>
	<u>\$ 3,833,624</u>		<u>24,086</u>

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows:

	December 31, 2017
Within 30 days past due	\$ 301,418
31~120 days past due	<u>20,246</u>
	<u>\$ 321,664</u>

The movement in the allowance for notes and accounts receivable was as follows :

		For the years ended December 31,2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Beginning balance(per IAS 39 & IFRS 9)	\$ 24,086	17,385	6,701
Provision	-	454	-
Reversal	<u>-</u>	<u>-</u>	<u>(454)</u>
Ending balanc	<u>\$ 24,086</u>	<u>17,839</u>	<u>6,247</u>

The average credit term of sales of goods for the Group is from 30 to 60 days. As of December 31,2017, on deciding the recoverability of accounts receivable and notes receivable, the Group will consider any change in quality of credit of accounts receivable and notes receivable from the original credit date to the reporting date. According to the historical experience, the recoverability of accounts receivable and notes receivable, which overdue more than 180 days, is unrecoverable, the Group has recognized accounts receivable and notes receivable, which overdue more than 180 days, as 100% bad debts. The Group estimated the amount of uncollectible accounts receivable and notes receivable, which from one to 180 days, by referring to the counterparty' s historical default records in payments and the analysis of current financial condition.

As of December 31,2017, impairment loss of separate assessment of bad debts is the difference between carrying amount of accounts receivable and expected recoverable amount. The Group held no collateral for the above amount.

The Group thinks that the accounts receivable and notes receivable those not overdue or overdue less than the average credit terms should not be appropriated according to historical experience.

Accounts receivable of the Group have been insured accounts receivable credit risk. The insured amounts are \$514,914 thousand and \$141,244 thousand as of December 31, 2018 and 2017. 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, collateralized or discounted as of December 31, 2018 and 2017.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The Group has signed accounts receivable factoring contracts without recourse with financial institutions. As stated in the contract, the Group doesn't have to bear the risks of uncollectable accounts receivables but the loss incurred due to commercial arguments, and hence meets the criteria of derecognition of financial assets. Factored accounts receivables which are not due as of the report date are as follows:

December 31, 2018					
Counterparty	Factored amount	Line	Amount collected in advance	Interest rate	Pledged items
E.sun Bank	\$ <u>240,600</u>	<u>1,506,571</u>	<u>240,600</u>	<u>2.87%~3.44%</u>	None

December 31, 2017					
Counterparty	Factored amount	Line	Amount collected in advance	Interest rate	Pledged items
E.sun Bank	\$ <u>189,625</u>	<u>749,952</u>	<u>189,625</u>	<u>2.12%</u>	None

(c) Inventories

	December 31, 2018	December 31, 2017
Raw materials	\$ 2,458,806	2,557,585
Supplies	527,431	601,853
Work in progress	1,135,855	1,003,570
Finished goods	<u>142,495</u>	<u>132,774</u>
	<u>\$ 4,264,587</u>	<u>4,295,782</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 2018 and 2017, 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 years ended December 31	
	2018	2017
(Gain from recovery in the value of inventories) loss on decline of inventory market price	<u>\$ (1,124)</u>	<u>1,882</u>

None of inventories held by the Group were pledged as of December 31, 2018 and 2017.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(d) Non-current assets classified as held for sale

The Group 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 details was as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents	<u>\$ 11,257</u>	<u>13,676</u>

(e) Property, plant and equipment

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

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Construction in progress	Total
Cost:								
Balance at January 1, 2018	\$ 4,816,961	3,497,333	4,449,568	100,014	203,330	1,039,316	433,780	14,540,302
Additions	-	6,314	324,237	5,306	12,340	110,545	339,674	798,416
Disposals	-	-	(59,389)	(2,011)	-	(1,335)	-	(62,735)
Reclassification	-	478,894	36,566	2,149	-	2,749	(489,228)	31,130
Effect of exchange rates changes	862	83,097	89,527	1,925	3,139	28,814	14,674	222,038
Balance as of December 31, 2018	<u>\$ 4,817,823</u>	<u>4,065,638</u>	<u>4,840,509</u>	<u>107,383</u>	<u>218,809</u>	<u>1,180,089</u>	<u>298,900</u>	<u>15,529,151</u>
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	3,631,285	2,819	44,168	2,725	4,334	66,738	891,151	4,643,220
Disposals	-	(128,265)	(139,899)	(6,269)	(14,170)	(66,336)	-	(354,939)
Reclassification	-	184,782	475,291	13,487	5,484	41,914	(702,454)	18,504
Effect of exchange rate changes	(2,248)	(185,072)	(199,654)	(4,611)	(7,636)	(64,701)	(25,021)	(488,943)
Balance as of December 31, 2017	<u>\$ 4,816,961</u>	<u>3,497,333</u>	<u>4,449,568</u>	<u>100,014</u>	<u>203,330</u>	<u>1,039,316</u>	<u>433,780</u>	<u>14,540,302</u>
Depreciation:								
Balance at January 1, 2018	\$ -	1,005,556	2,786,154	61,189	154,813	615,885	-	4,623,597
Depreciation	-	165,327	488,216	12,036	17,966	136,319	-	819,864
Disposals	-	-	(42,164)	(2,011)	-	(1,335)	-	(45,510)
Effect of exchange rate changes	-	18,625	54,240	1,195	2,247	17,744	-	94,051
Balance as of December 31, 2018	<u>\$ -</u>	<u>1,189,508</u>	<u>3,286,446</u>	<u>72,409</u>	<u>175,026</u>	<u>768,613</u>	<u>-</u>	<u>5,492,002</u>
Balance at January 1, 2017	\$ -	966,077	2,546,619	56,866	153,937	582,145	-	4,305,644
Depreciation	-	142,069	465,807	12,238	18,090	133,226	-	771,430
Disposals	-	(63,994)	(114,136)	(5,406)	(12,172)	(64,253)	-	(259,961)
Effect of exchange rate changes	-	(38,596)	(112,136)	(2,509)	(5,042)	(35,233)	-	(193,516)
Balance as of December 31, 2017	<u>\$ -</u>	<u>1,005,556</u>	<u>2,786,154</u>	<u>61,189</u>	<u>154,813</u>	<u>615,885</u>	<u>-</u>	<u>4,623,597</u>
Carrying amounts:								
Balance as of December 31, 2018	<u>\$ 4,817,823</u>	<u>2,876,130</u>	<u>1,554,063</u>	<u>34,974</u>	<u>43,783</u>	<u>411,476</u>	<u>298,900</u>	<u>10,037,149</u>
Balance as of December 31, 2017	<u>\$ 4,816,961</u>	<u>2,491,777</u>	<u>1,663,414</u>	<u>38,825</u>	<u>48,517</u>	<u>423,431</u>	<u>433,780</u>	<u>9,916,705</u>

The property, plant and equipment are pledged or mortgaged as collateral for loans as of December 31, 2018 and 2017, please refer to note 8.

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

(f) Other current or non-current assets

Current:

	December 31, 2018	December 31, 2017
Tax refund receivables	\$ 130,912	84,381
Payment in advance	65,065	56,612
Prepaid expense	71,805	36,847
Prepaid sales tax	24,736	174,090
Other financial assets	4,113	3,814
Others	<u>20,310</u>	<u>22,210</u>
	<u>\$ 316,941</u>	<u>377,954</u>

Non-current:

	December 31, 2018	December 31, 2017
Prepayments for equipment	\$ 281,507	124,332
Long- term prepaid rents	357,916	346,554
Refundable deposits	3,161	5,627
Others	<u>633</u>	<u>-</u>
	<u>\$ 643,217</u>	<u>476,513</u>

Long-term prepaid rents is the contract for right of use of land for constructing factories and dorms. This contract was signed among the Group, and local authorities of Vietnam.

(g) Short-term borrowings

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

	December 31, 2018	December 31, 2017
Unsecured bank loans	<u>\$ 1,629,979</u>	<u>1,481,155</u>
Unused quota	<u>\$ 6,150,541</u>	<u>4,328,781</u>
Range of interest rates	<u>1.8%~3.65%</u>	<u>1.5%~2.26%</u>

None of the Group's assets were pledged as collaterals to secure short-term borrowings.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(h) Employee benefits

(i) Defined benefit plan

Reconciliation for present value of defined benefit obligation and fair value of plan assets are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	\$ 244,210	226,084
Fair value of plan assets	<u>(242,194)</u>	<u>(98,777)</u>
Net defined benefit liability	<u>\$ 2,016</u>	<u>127,307</u>

Employee' s benefits liabilities of the Group are as follows:

	December 31, 2018	December 31, 2017
Long-term compensated absences liability	<u>\$ 57,983</u>	<u>45,738</u>

Under the Group's employee benefit retirement plan, contributions are made to an independent fund that is deposited with Bank of Taiwan. Employees are eligible for retirement and payments of retirement benefits are based on years of service and the average salary for the last six months before the employee' s retirement according to the Labor Standards Law.

1) Composition of the plan asset

The retirement funds deposited by the Group according to the Labor Standards Law are managed by the Bureau of Labor Funds, Ministry of Labor (the "BLF"). According to Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the usage of funds and their minimum amount of return distributed by the final accounts shall not be less than the income calculated by the two-year deposit interest rate of local bank.

As of December 31, 2018, the Group' s pension fund with Bank of Taiwan amounted to \$242,194 thousand. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

2) Changes in present value of the defined benefit obligations were as follows:

	For the years ended December 31	
	2018	2017
Defined benefit obligations at January 1	\$ 226,084	242,462
Current service cost and interest	4,797	4,833
Remeasurement of defined benefit liability		
- Actuarial gains and losses of experience adjustments	8,181	151
- Actuarial losses of financial assumptions change	7,239	(7,349)
Benefits paid	<u>(2,091)</u>	<u>(14,013)</u>
Defined benefit obligations at December 31	<u>\$ 244,210</u>	<u>226,084</u>

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

- 3) Changes in the fair value of the plan asset were as follows:

	For the years ended December 31	
	2018	2017
Fair value of plan assets at January 1	\$ 98,777	110,763
Remeasurement of net defined benefit liability		
- Return on plan assets (excluding current interest)	4,937	889
Appropriated amount to the plan	140,571	1,138
Benefits paid	(2,091)	(14,013)
Fair value of plan assets at December 31	<u><u>\$ 242,194</u></u>	<u><u>98,777</u></u>

- 4) Expense recognized as profit or loss
Expense recognized as profit or loss for 2018 and 2017 were as follows:

	For the years ended December 31	
	2018	2017
Current service cost	\$ 1,705	2,130
Interest of net defined benefit liability	1,744	1,466
	<u><u>\$ 3,449</u></u>	<u><u>3,596</u></u>

	For the years ended December 31,	
	2018	2017
Operating cost	\$ 852	2,277
Selling expense	1,193	326
Administrative expense	1,404	992
R&D expense	-	1
	<u><u>\$ 3,449</u></u>	<u><u>3,596</u></u>

- 5) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

The Group' s remeasurment of net defined benefit liabilities recognized in other comprehensive income for 2018 and 2017, were as follows:

	For the years ended December 31	
	2018	2017
Accumulated amount at January 1	\$ 22,980	29,830
Recognized in current period	11,831	(6,850)
Accumulated amount at December 31	<u><u>\$ 34,811</u></u>	<u><u>22,980</u></u>

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

6) Actuarial assumptions

Major assumptions used to determine the present value of the defined benefit obligations were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.125%	1.375%
Future salary increases rate	3.000%	3.000%

Expected appropriated amount paid to defined benefit plan by the Group during 1 year after the reporting date of 2018 is \$2,697 thousand.

The weighted average duration of the defined benefit plan is 13.39 years.

7) Sensitivity analysis:

As of December 31, 2018 and 2017, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2018		
Discount rate (change 0.25%)	\$ (7,239)	7,527
Future salary increases rate (change 0.25%)	7,254	(7,006)
December 31, 2017		
Discount rate (change 0.25%)	(7,047)	7,349
Future salary increases rate (change 0.25%)	7,093	(6,846)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis adopts the same methods for determining the defined benefit assets at the balance sheet date.

(ii) Defined contribution plan

The Company contributes an amount equal to 6% of the employee' s monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Company is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Colltex Fabrics, E-TOP (VN), Eclat Textile (VN) and TAI- YUAN (VN) are restricted by local regulations in Vietnam, contributing an amount equal to specific percent of the employee' s monthly total wages to labor pension fund in accordance with local government regulation and paying to relevant authorities.

The Group' s pension costs under the defined contribution pension plan amounted to \$92,517 thousand and \$74,934 thousand for 2018 and 2017, respectively. Those pension costs have been contributed to Bureau of the Labor Insurance or local relevant authorities.

(i) Income tax

The amendment on Income Tax Law has been issued by the Presidential Palace on February 7, 2018 which rises the profit-seeking enterprise income tax rate from 17% to 20% in 2018.

(i) Income tax expense

The details of income tax expense were as follows:

	For the years ended December 31	
	2018	2017
Current tax expense	\$ 1,069,586	710,783
Deferred tax expense		
Temporary differences	32,278	(16,184)
Change of income tax rate	(10,653)	-
Total income tax expense	<u>\$ 1,091,211</u>	<u>694,599</u>

The details of income tax expense (income) under other comprehensive income were as follows:

	For the years ended December 31	
	2018	2017
Components of other comprehensive income that will be reclassified to profit or loss:		
Exchange differences on translation of foreign financial statements	<u>\$ 24,308</u>	<u>(52,944)</u>

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

The reconciliation between income tax expense and profit before tax are as follow:

	For the years ended December 31	
	2018	2017
Profit before tax	\$ 5,473,149	3,762,618
Income tax using the individual Company' s domestic tax rate	1,094,630	639,645
Change of income tax rate	(10,653)	-
Under provision in prior periods	100	3,851
The 10% surtax on undistributed earnings	4,311	40,018
Others	2,823	11,085
	<u>\$ 1,091,211</u>	<u>694,599</u>

(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred tax assets:

January 1, 2018	\$ 60,735
Recognized in expense	(16,046)
Exchange differences on translation of foreign financial statements	(24,308)
December 31, 2018	<u>\$ 20,381</u>
January 1, 2017	\$ 31,537
Recognized in income	7,876
Exchange differences on translation of foreign financial statements	21,322
December 31, 2017	<u>\$ 60,735</u>

Deferred tax liability:

January 1, 2018	\$ 367
Recognized in expense	5,579
December 31, 2018	<u>\$ 5,946</u>
January 1, 2017	\$ 40,297
Recognized in income	(8,308)
Exchange differences on translation of foreign financial statements	(31,622)
December 31, 2017	<u>\$ 367</u>

(iii) Income tax approved

The Company' s income tax returns through 2016 had been examined by the R.O.C. tax authority.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(j) Stockholders' equity

Authorized capital stock, authorized shares of capital stock and issued capital stock as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Authorized capital stock	<u>\$ 3,000,000</u>	<u>3,000,000</u>
Authorized shares (thousand)	<u>300,000</u>	<u>300,000</u>
Issued shares (thousand)	<u>274,367</u>	<u>274,367</u>

Reconciliation of the Company's outstanding shares for 2018 and 2017 are as follows:

	Common stock (thousand shares)	
	For the years ended December 31,	
	2018	2017
January 1	274,367	268,987
Stock dividends	-	5,380
December 31	274,367	274,367

(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 was July 31, 2017. All issued shares were paid up upon issuance and reported under equity.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Paid-in capital in excess of par value	\$ 3,550,000	3,550,000
Treasury stock transactions	396	396
Unpaid compensation to directors and supervisors	1,377	1,377
Net assets from merger with Everbright Garment	15,866	15,866
Unpaid dividend payables	113	3
Employee stock options	<u>201,795</u>	<u>201,795</u>
	<u>\$ 3,769,547</u>	<u>3,769,437</u>

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

According to Company Law, realized capital surplus can be transferred to common stock or distributed as cash dividends after deducting the accumulated deficit, if any. Realized capital surplus includes the additional paid-in capital from issuance of common stock in excess of the common stock's par value and donation from others. Paid-in capital in excess of par value is transferrable to common stock annually but shall not exceed 10% of total issued and outstanding common stock according to Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

(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. In a normal consideration, the percentage of earnings distribution shall not be less than 50% of the net earnings of the current year after compensating for accumulated deficits, if any. 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) Legal reserve

In accordance with the Company Act, 10% of net income after tax should be set aside as legal reserve, until the legal reserve is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to current income or loss and prior period-undistributed earnings from the reduction of other equity; the special reserve appropriated from prior period-undistributed earnings cannot be distributed. If the reductions of other equity reverse, the reverse parts can be distributed. The Group is applicable to the regulations in Interpretation No.1010012865 by FSC for recognizing special reserve.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Earnings appropriation and distribution

Earnings distributions for 2017 and 2016 were decided via the annual general meeting of the shareholders held on June 14, 2018 and June 16, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

	For the years ended December 31, 2017		For the years ended December 31, 2016	
	per share (dollars)	amount	per share (dollars)	amount
Dividends distributed to ordinary shareholders:				
Cash dividends	\$ 9.50	2,606,487	10.50	2,824,367
Stock dividends	-	-	0.20	53,797
Total		<u><u>\$ 2,606,487</u></u>		<u><u>2,878,164</u></u>

As mentioned above, please browse through the relative information approved during the board of directors' and shareholder's meeting on Market Observation Post System website of the Taiwan Stock Exchange.

The appropriation of the Company's 2018 earnings was subject to a resolution approved by the board of directors and the annual shareholders' meetings. Following the approval of those resolutions, related information can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Other equity (net of income tax)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2018	\$ (104,100)
Exchange differences on translation of foreign financial statements	97,238
Balance at December 31, 2018	<u><u>\$ (6,862)</u></u>
Balance at January 1, 2017	\$ 154,392
Exchange differences on translation of foreign financial statements	(258,492)
Balance at December 31, 2017	<u><u>\$ (104,100)</u></u>

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(k) Earnings per share

The earnings per share were calculated as follows:

	For the years ended December 31	
	2018	2017
Basic earnings per share		
Profit attributable to ordinary stockholders	<u>\$ 4,379,754</u>	<u>3,052,055</u>
Weighted average number of ordinary shares outstanding (in thousands)	<u>274,367</u>	<u>274,367</u>
Basic earnings per share (in dollars)	<u>\$ 15.96</u>	<u>11.12</u>
	For the years ended December 31	
	2018	2017
Diluted earnings per share		
Profit attributable to ordinary stockholders	<u>\$ 4,379,754</u>	<u>3,052,055</u>
Weighted average number of ordinary shares outstanding (in thousands)	274,367	274,367
Effect on employee's profit sharing bonus(in thousands)	21	24
Weighted average number of ordinary shares outstanding (diluted) (in thousands)	<u>274,388</u>	<u>274,391</u>
Diluted earnings per share (in dollars)	<u>\$ 15.96</u>	<u>11.12</u>

(l) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31, 2018		
	Clothing	Knitted	Total
Main market :			
Americas	\$ 15,883,257	332,797	16,216,054
Asia	1,576,552	6,540,450	8,117,002
Europe	1,667,564	2,039	1,669,603
the Middle East	49,121	736,275	785,396
Africa	19,919	455,604	475,523
Others	221,016	93,615	314,631
	<u>\$ 19,417,429</u>	<u>8,160,780</u>	<u>27,578,209</u>
Main product :			
	For the years ended December 31,2018		
Knitted fabrics	\$ 8,160,780		
Clothing	19,417,429		
	<u>\$ 27,578,209</u>		

For details on revenue for the year ended December 31, 2017, please refer to note 6(m) °

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(m) Operating revenue

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

	For the year ended December 31, 2017
Sales of merchandise	<u>\$ 24,231,970</u>

For details on revenue for the year ended December 31, 2018, please refer to note (l).

(n) Employees' profit sharing 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 then approved at the shareholders' meeting. Qualified employees are entitled to stock and cash distribution of the Company.

For the year ended December 31, 2018 and 2017, the estimated amounts of employee's profit sharing bonus amounted to \$6,000 thousand, which was calculated based on the Company's income excluding tax as well as employee profit sharing bonus and earnings allocation a minimum of 0.1% as stated under the Company's articles of incorporation. These employee's bonuses were reported under cost of goods sold and operating expenses for the year ended December 31, 2018 and 2017. If there is the change after released financial reporting date in the following year, the difference is treated as a change in accounting estimate, and is charged to profit or loss for 2019 and 2018.

There was no difference between the estimated and distributed employee's profit sharing bonus approved by the BOD for the year ended December 31, 2017, 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 income

The Group's other income were as follows:

	For the years ended December 31	
	2018	2017
Interest income-bank deposit	\$ 11,846	72,172
Others	9,708	4,604
	<u>\$ 21,554</u>	<u>76,776</u>

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Other gains and losses, net

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

	For the years ended December 31	
	2018	2017
Foreign exchange gain (loss)	\$ 206,379	(506,890)
Loss on transaction for property	(16,496)	(631)
Others	7,372	27,500
	<u>\$ 197,255</u>	<u>(480,021)</u>

(iii) Finance costs

The details of finance costs were as follows:

	For the years ended December 31	
	2018	2017
Bank borrowings	\$ 46,332	26,387
Others	-	471
	<u>\$ 46,332</u>	<u>26,858</u>

(p) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposed amount to credit risk.

2) Concentration of credit risk

As the Group has numerous clients, does not make concentrated transactions with any single client and scatters the sales region, there is no concentration of credit risk for accounts receivable.

3) Credit risk of trade receivables

For details on credit risk of notes and accounts receivable, please refer to note 6(b).

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments but excluding the impact of netting agreements.

	<u>Carrying amount</u>	<u>Contractual cash flow</u>	<u>Within 12 months</u>
December 31, 2018			
Non-derivative financial liabilities			
Unsecured bank loans	\$ 1,629,979	1,630,737	1,630,737
Accounts and notes payable (related parties included)	<u>1,618,813</u>	<u>1,618,813</u>	<u>1,618,813</u>
	<u>\$ 3,248,792</u>	<u>3,249,550</u>	<u>3,249,550</u>
December 31, 2017			
Non-derivative financial liabilities			
Secured bank loans	\$ 1,481,155	1,487,983	1,487,983
Accounts and notes payable (related parties included)	<u>1,857,570</u>	<u>1,857,570</u>	<u>1,857,570</u>
	<u>\$ 3,338,725</u>	<u>3,345,553</u>	<u>3,345,553</u>

The Group is not expecting the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Exchange rate risk

1) Exposure to currency risk

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

	<u>December 31, 2018</u>			<u>December 31, 2017</u>		
	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 188,341	30.715	5,784,894	157,074	29.76	4,674,522
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	39,572	30.715	1,215,454	44,063	29.76	1,311,315

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, bank borrowings and accounts payable. A 1% depreciation or appreciation of the TWD against the USD as of December 31, 2018 and 2017 would have increased or decreased the net income after tax by \$36,556 thousand and \$27,915 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.

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

3) Foreign currency gain or loss on monetary items

The realized and unrealized exchange (loss) gain amounted to \$206,379 thousand and (\$506,890) thousand, at the average rates of 30.149 and 30.432 for the year ended December 31, 2018 and 2017, respectively.

(iv) 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%, the Group's net income will increase/decrease by \$2,005 thousand and \$2,369 thousand for the years ended December 31, 2018 and 2017, respectively, with all other variable factors that remain constant. This is mainly due to the Group's borrowings in variable rates.

(v) 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

(i) Nature and extent

The Group has exposure to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note expresses the information of risk exposure and goals, policies and procedures for the Group to measure and manage risks. Please refer to notes in consolidated financial statements for further quantitative disclosures.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(ii) Risk management framework

The board of directors is responsible for the supervision of the Company' s risk management framework.

The risk management policies are established to identify and analyze the Group' s exposure to risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group' s activities. The Group, through its training and management standards and procedures, aim to develop a disciplines and constructive control environment, in which all employees understand their roles and obligations.

The audit committee of the Group oversees how the management complies in monitoring the Group' s risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The internal audit sector of the Group reviews the risk management controls and procedure on scheduled and non-scheduled basis, and reports the results to the audit committee.

(iii) Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group' s receivables from customers.

1) Accounts receivable

Every single client affects the credit risk exposure of the Group, but still, the management should consider the status of its clients, including the industry the client belongs to and the default risk of the country where the client is located. Because the transaction of the Group is not concentrated in one single client for 2018 and 2017, therefore, there is no concentration on credit risk for accounts receivable.

To minimize the risk of accounts receivable, the Group established a risk management procedure relating to the financial condition of the client, credit risk rating, historical transactions inside the Group, and the current economic situation that may affect the clients' ability to pay up the bills. The Group also uses some credit-improved tools such as prepayments and credit insurance in order to reduce specific client' s credit risk.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

2) Financial investments

The credit risk exposure in the bank deposits, fix income investments and other financial instruments are measured and monitored by the Group's finance department. As the Group deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, the management believes that the Group does not have any compliance issues, and therefore, there is no significant credit risk.

3) Guarantee

The Group only provide guarantee to wholly owned subsidiaries. The Group did not provide guarantee to any third party as of December 31, 2018 and 2017.

(iv) Liquidity risk

Liquidity risk is the risk that the Group is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group estimates the cost of products and services based on accounting policy in order to assist in monitoring its cash flow requirements and optimizing its cash return on investments. Generally, the Group ensures that there is sufficient cash to cover expected operating expenditure demand, but excluding potential influence under unexpected extremely condition (i.e. nature disaster). In addition, the total amount of unused credit term as of December 31, 2018 and 2017 amounted to \$6,150,541 thousand and \$4,328,781 thousand respectively.

(v) Market risk

Market risk is the risk that comes from changes in market prices such as changes of foreign exchange rates, interest rates and equity prices, impacting the Group's income or the value of financial instruments held by the Group. The objective of market risk management is to manage and control market risk exposures within acceptable range and optimize the return on investments.

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the board of directors.

1) Exchange rate risk

The Group's exposure to currency risk is on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Group, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are denominated in NTD, USD, VND and CNY.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

At any point of time, the Group' s principle is to regularly hedge using the net value after offsetting assets and liabilities. The choice of hedging exchange rate risk instruments is based on the cost and the period of hedging. The Group mainly hedges its currency risk using the foreign exchange contracts.

2) Interest rate risk

All of the Group' s assets and liabilities bear floating interest rates, and thus suffer from cash flow interest rate risk exposure. The detail of floating interest rates of the Group' s assets and liabilities are described in note of liquidity risk management.

(r) Capital management

The Board' s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes common stock, capital surplus, retained earnings and other equities. Therefore, the capital management of the Group focuses on ensuring necessary financial resources and increase stockholders' value, examining the capital return periodically. The Group' s return on capital as of December 31, 2018 and 2017 were as follows:

	For the years ended December 31	
	2018	2017
Net income	<u>\$ 4,379,754</u>	<u>3,052,055</u>
Total capital	<u>\$ 16,931,030</u>	<u>15,072,246</u>
Return on capital	<u>25.87%</u>	<u>20.25%</u>

The Group does not have any plan of purchasing treasury stock.

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the consolidated financial statements.

<u>Name of related party</u>	<u>Relationship with the Group</u>
E&I Printing Company Limited (E&I printing)	Associate
Best Information Co., Ltd (Best)	Associate
Yi Yuan Co., Limited	The entity' s chairman is the first immediate family of the chairman of the Company
Eclat Education Foundation	Founded by donation of the Company

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(b) Material transactions among related parties

(i) Operating revenue

	For the years ended December 31	
	2018	2017
Associates	<u>\$ 132</u>	<u>88</u>

Sales term to subsidiaries is the same as general sales. The term for receivables is O/A 30 to 60 days.

(ii) Purchasing and processing

	For the years ended December 31	
	2018	2017
Associates	<u>\$ 15,689</u>	<u>7,004</u>

Purchasing price to subsidiaries is the same as to general purchases. The term for payables is O/A 30 to 60 days.

(iii) Receivables from related parties

Account	Types of related parties	December 31, 2018	December 31, 2017
Notes receivable	Associates	\$ 53	-
Notes receivable	Other related parties	-	26
		<u>\$ 53</u>	<u>26</u>

(iv) Payables to related parties

Account	Types of related parties	December 31, 2018	December 31, 2017
Accounts payable -related parties	Associates	<u>\$ 1,926</u>	<u>3,324</u>

(v) Guarantees and endorsements

The guarantees and endorsements for related parties are as follows:

Types of related parties	December 31, 2018	December 31, 2017
Subsidiaries	<u>\$ 1,489,678</u>	<u>1,443,360</u>

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(vi) Lease

Types of related parties	For the years ended December 31	
	2018	2017
Associates	\$ 600	600
Other related parties	300	300
	\$ 900	900

The Group charged their rentals based on the local market prices which are paid monthly.

(vii) Others

	Software maintenance		Donations	
	For the years ended December 31		For the years ended December 31	
	2018	2017	2018	2017
Associates	\$ 428	352	-	-
Other related parties	-	-	2,000	2,000
	\$ 428	352	2,000	2,000

(c) Key management personnel transactions

Key management personnel compensation comprised:

	For the years ended December 31	
	2018	2017
Short-term employee benefits	\$ 107,783	98,133

Cars provided to key management personnel:

	December 31, 2018	December 31, 2017
Cost	\$ 28,638	26,484
Numbers	\$ 8	7
Book value	\$ 7,843	8,863

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(8) Pledged assets:

The Group's pledged assets are as follows:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Other financial assets - current	Natural gas and electricity security deposit	\$ 4,113	3,814
Land	Medium to long term financing	3,381,772	-
		\$ 3,385,885	3,814

(9) Commitments and contingencies:

(a) The balance of unused letters of credit of the Group was as follows:

December 31, 2018	December 31, 2017
\$ 137,617	99,784

(b) Contingent liabilities:

The Group served as the guarantor of Eclat Cayman, and the balances of short-term borrowings with the banks were as follows :

December 31, 2018	December 31, 2017
US\$ 16,500	16,500

(10) Losses due to major disasters:None.

(11) Subsequent events:None.

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ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(12) Other:

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

	For the years ended December 31, 2018			For the years ended December 31, 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	2,024,583	1,167,310	3,191,893	1,245,414	1,696,102	2,941,516
Labor and health insurance	183,848	89,445	273,293	171,881	74,599	246,480
Pension	55,908	40,058	95,966	44,055	34,475	78,530
Director's remuneration	-	4,040	4,040	-	4,350	4,350
Others	142,041	62,752	204,793	138,738	53,852	192,590
Depreciation	693,432	126,432	819,864	646,846	124,584	771,430
Amortization	3,260	10,250	13,510	2,109	12,728	14,837

(b) Discontinued operation

The Group's board of directors approved Unison's dissolution on December 7, 2016, and launched its liquidation procedure in 2017. The operation result and cash flow of discontinued operation were as follows:

	For the years ended December 31,	
	2018	2017
Result of discontinued operations:		
Operating expenses	\$ (2,222)	(12,450)
Gross loss	(2,222)	(12,450)
Non-operating income and expense	38	(3,514)
Loss from discontinued operations, net of tax	<u><u>\$ (2,184)</u></u>	<u><u>(15,964)</u></u>
Basic earnings per share	<u><u>\$ (0.01)</u></u>	<u><u>(0.06)</u></u>
Diluted earnings per share	<u><u>\$ (0.01)</u></u>	<u><u>(0.06)</u></u>
Cash flow of discontinued operations		
Cash (flows) used in operating activities	\$ (2,419)	(72,583)
Cash flows generated from investing activities	-	79,536
Total cash (outflow) inflow	<u><u>\$ (2,419)</u></u>	<u><u>6,953</u></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 is the information on significant transactions required by the “Regulations Governing the Preparation of Financial Reports by Securities Issuers” for the Group:

(i) Loans 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 (note 1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 2)	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	Eclat Cayman	Fabrics	Other receivables	Yes	371,460 (USD12,000)	368,580 (USD12,000)	215,005 (USD7,000)	2.5%-3.1%	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)	(Note 4)
01	Eclat Cayman	Eclat Textile (VN)	Other receivables	Yes	30,955 (USD1,000)	30,715 (USD1,000)	-	-	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)	(Note 4)
01	Eclat Cayman	Colltex	Other receivables	Yes	216,685 (USD7,000)	215,005 (USD7,000)	-	-	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)	(Note 4)
01	Eclat Cayman	E-TOP (VN)	Other receivables	Yes	263,118 (USD8,500)	261,078 (USD8,500)	-	-	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)	(Note 4)
01	Eclat Cayman	Eclat Textile (Cambodia)	Other receivables	Yes	212,042 (USD6,850)	210,398 (USD6,850)	153,575 (USD5,000)	2.9%-3.1%	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)	(Note 4)
01	Eclat Cayman	Eclat Enterprise	Other receivables	Yes	30,955 (USD1,000)	30,715 (USD1,000)	19,965 (USD650)	3%	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)	(Note 4)
01	Eclat Cayman	TAI- YUAN (VN)	Other receivables	Yes	201,208 (USD6,500)	199,647 (USD6,500)	153,575 (USD5,000)	2.9%-3.1%	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)	(Note 4)
01	Eclat Cayman	Unison	Other receivables	Yes	101,955 (USD3,500)	-	-	-	2	-	Operating capital	-	-	-	-	-	(Note 4)

Note: The total financing amount of Eclat Cayman should not exceed 90% of the net equity of its latest financial statements; individual financing should not exceed 80% of its net equity on its latest financial statements.

Note 1: Approved by BOD.

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

Note 3: Transaction listed above have been eliminated during preparing consolidated financial statements.

Note 4: The exchange rate as of December 31, 2018 was USD 1 to NTD 30.715.

(ii) Guarantees and endorsements for other parties:

(In thousands of NTD / USD)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limit on amount of guarantees and endorsements for each enterprise (note 1)	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 (note 2)	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 (note 3)										
00	The Company	Eclat Cayman	2	5,079,309	1,501,318 (USD48,500)	1,489,678	506,798	-	8.80%	8,465,515	Y	N	N

Note 1: Guarantees amount provided to single entity must not exceed 30% of the Company’ s net value disclosed in the recent financial statements.

Note 2: Total guarantees amount provided must not exceed 50% of the Company’ s net value disclosed in the recent financial statements.

Note 3: Relationship with the Company:

1. Ordinary business relationship.
2. Subsidiary which own more than 50% by the guarantor.
3. An investee owned more than 50% in total by both the guarantor and its subsidiary.
4. An investee owned more than 90% by the guarantor or its subsidiary.
5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.
6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.
7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre- construction homes pursuant to the Consumer Protection Act for each other.

Note 4: The exchange rate as of December 31, 2018 was USD 1 to NTD 30.715

(Continued)

ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

- (iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):None.
- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$100 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 Textile (VN)	Indirectly held subsidiaries	processing	1,666,482	22.20% (Note)	30 days	(Note2)	(Note2)	Accounts payable (73,547)	(4.51)%	(Note1)
Eclat Textile (VN)	The Company	Parent company	(sales)	(1,666,482)	(100.00)%	30 days	(Note2)	(Note2)	Accounts receivable 73,547	100.00%	(Note1)
The Company	Fabrics	Indirectly held subsidiaries	purchasing	1,644,944	14.54%	30 days	(Note2)	(Note2)	Accounts payable (105,694)	(6.48)%	(Note1)
Fabrics	The Company	Parent company	(sales)	(1,644,944)	(100.00)%	30 days	(Note2)	(Note2)	Accounts receivable 105,694	98.40%	(Note1)
The Company	E-TOP (VN)	Indirectly held subsidiaries	processing	669,419	8.92% (Note)	30 days	(Note2)	(Note2)	Accounts payable (32,960)	(2.02)%	(Note1)
E-TOP (VN)	The Company	Parent company	(sales)	(669,419)	(100.00)%	30 days	(Note2)	(Note2)	Accounts receivable 32,960	77.78%	(Note1)
The Company	Colltex	Indirectly held subsidiaries	processing	599,206	7.98% (Note)	30 days	(Note2)	(Note2)	Accounts payable (29,597)	(1.81)%	(Note1)
Colltex	The Company	Parent company	(sales)	(599,206)	(100.00)%	30 days	(Note2)	(Note2)	Accounts receivable 29,597	100.00%	(Note1)
The Company	Eclat Textile (Cambodia)	Indirectly held subsidiaries	processing	340,451	4.54% (Note)	30 days	(Note2)	(Note2)	Accounts payable (21,015)	(1.29)%	(Note1)
Eclat Textile (Cambodia)	The Company	Parent company	(sales)	(340,451)	(100.00)%	30 days	(Note2)	(Note2)	Account receivable 21,015	67.86%	(Note1)
The Company	TAI-YUAN (VN)	Indirectly held subsidiaries	processing	150,359	2.04% (Note)	30 days	(Note2)	(Note2)	Accounts payable (13,207)	(0.81)%	(Note1)
TAI-YUAN (VN)	The Company	Parent company	(sales)	(150,359)	(83.00)%	30 days	(Note2)	(Note2)	Accounts receivable 13,207	75.73%	(Note1)

Note: Percentage on processing expense

Note 1: Transaction listed above have been eliminated during preparing consolidated 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	215,005 (USD7,000)	(Note)	-		-	-	(Note1)
Eclat Cayman	TAI-YUAN (VN)	Subsidiary	153,575 (USD5,500)	(Note)	-		-	-	(Note1)
Eclat Cayman	Eclat Textile (Cambodia)	Investee company	153,575 (USD5,000)	(Note)	-		-	-	(Note1)
Fabrics	The Company	Parent company	105,694 (USD3,441)	19.18	-		-	-	(Note1)

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

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

Note 2: The exchange rate as of December 31, 2018 is USD 1 to NTD 30.715.

- (ix) Trading in derivative instruments:None.

(Continued)

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	1,644,944	The same as general sales	5.96%
2	Eclat Textile (VN)	The Company	2	Processing revenue	1,666,482	The same as general processing	6.04%
3	Colltex	The Company	2	Processing revenue	599,206	The same as general processing	2.17%
4	E-TOP(VN)	The Company	2	Processing revenue	669,419	The same as general processing	2.43%
5	Eclat Textile (Cambodia)	The Company	2	Processing revenue	340,451	The same as general processing	1.23%

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 years ended December 31, 2018 (excluding information on investees in Mainland China):

(In thousands of NT\$ / USD)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest Percentage of ownership	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value (note)				
The Company	Best	Taiwan	Computer equipment installation, software retailing and international commerce	8,739	8,739	881	44.05%	14,772	44.05%	4,924	2,168	Investee company
The Company	Grand Elite	British Virgin Islands	Investments in securities, real estate, and manufacturing industry	432,129 (USD14,069)	432,129 (USD14,069)	35	100.00%	(43,130)	100.00%	(37,994)	(37,994)	Subsidiary (Note1) (Note2)
The Company	Eclat Cayman	Cayman Islands	Investments in securities, real estate, and manufacturing industry	3,934,131 (USD128,085)	3,934,131 (USD128,085)	123,759	100.00%	3,889,306	100.00%	86,687	86,687	Subsidiary (Note1) (Note2)
Grand Elite	Eclat Textile (Cambodia)	Cambodia	Design, manufacture, processing and sale of clothing	245,720 (USD8,000)	245,720 (USD8,000)	8,000	100.00%	(115,777)	100.00%	(38,134)	(38,134)	Subsidiaries (Note2)
Eclat Cayman	Colltex	Vietnam	Design, manufacture, processing and sale of clothing	490,058 (USD15,955)	490,058 (USD15,955)	16,800	100.00%	524,322	100.00%	27,027	25,594	Subsidiary (Note1) (Note2)
Eclat Cayman	E-TOP(VN)	Vietnam	Design, manufacture, processing and sale of clothing	1,105,740 (USD36,000)	1,105,740 (USD36,000)	36,000	100.00%	1,115,255	100.00%	22,297	23,593	Subsidiary (Note1) (Note2)
Eclat Cayman	Eclat Enterprise	Cambodia	Investments in securities, real estate, and manufacturing industry	30 (USD1)	30 (USD1)	1	100.00%	(1,266)	100.00%	(271)	(271)	Subsidiary (Note1) (Note2)
Eclat Cayman	Eclat Textile (VN)	Vietnam	Design, manufacture, processing and sale of clothing	650,267 (USD21,171)	650,267 (USD21,171)	22,000	100.00%	796,914	100.00%	122,767	122,767	Subsidiary (Note1) (Note2)
Eclat Cayman	Fabrics	Vietnam	Knit fabric mills, printing, dyeing and finishing mill	1,228,600 (USD40,000)	1,228,600 (USD40,000)	40,000	100.00%	1,518,543	100.00%	(23,099)	(21,019)	Subsidiary (Note1) (Note2)

(Continued)

ECLAT TEXTILE CO., LTD. AND ITS SUBSIDIARIES

Notes to Consolidated Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Highest	Net income (losses) of investee	Share of profits/losses of investee	Note
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value (note)	Percentage of ownership			
Eclat Cayman	TAI-YUAN (VN)	Vietnam	Design, manufacture, processing and sale of clothing	212,394 (USD6,915)	212,394 (USD6,915)	6,800	100.00%	(113,306)	100.00%	(55,622)	(55,902)	Subsidiary (Note1)
Eclat Cayman	E&I Printing	Vietnam	Design, printing, dyeing and finishing mill	30,715 (USD1,000)	30,715 (USD1,000)	1,000	40.00%	11,311	40.00%	(16,946)	(6,778)	Invest company

Note: Accumulated translation is included.

Note 1: The exchange rate as of December 31, 2018 is USD 1 to NTD 30.715; the average exchange rate for 2018 is USD 1 to NTD 30.149.

Note 2: Transaction listed above have been eliminated during preparing consolidated financial statements.

(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 (note)	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Highest Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow							
Unison (Note2)	Design, manufacture, processing and sale of clothing	172,772 (USD5,625)	2	131,337 (USD4,276)	-	-	131,337 (USD4,276)	(2,184)	100.00%	- %	(2,184)	(43,218)	-

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 December 31, 2018 is USD 1 to NTD 30.715; the average exchange rate for 2018 is USD 1 to NTD 30.149.

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

(ii) Limitation on investment in Mainland China:

Accumulated investment in Mainland China as of December 31, 2018	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
131,337 (USD 4,276 thousand)	131,337 (USD 4,276 thousand)	10,158,618

Note: The exchange rate as of December 31, 2018 is USD 1 to NTD 30.715.

(iii) Significant transactions: None

(Continued)

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(14) Segment information:

(a) General information:

The Group has two reportable segments: knitted division, which produces and sells flexible textile and clothing division, which produces, processes and sells clothing.

These two reportable segments are regional operating units and provide different products. Because every regional operating unit needs different techniques and marketing strategy, each should be managed separately; most of operating units are acquired separately and the management team at the time of acquisition is kept.

The Group does not amortize income tax expense (gain), investment income or loss under equity method and extraordinary gain or loss to reportable segments. The reported amount is the same as the amount of the financial statements used by operating decision makers.

(b) Information about income/loss, assets, liabilities, basis for measurement and reconciliation for reportable segments

The Group's operating departments accounting policies are all the same as note4 "Summary of accounting policies". The Group's operating department measures its income or loss at operating income or loss before income tax and treats operating income or loss before income tax as the basis of assessing performance; the Group treats sales and transfers among departments as related parties' transactions and is measured at current fair value.

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

	For the year ended December 31, 2018			
	Knitted	Clothing	Adjustments and write off	Total
Revenue:				
From external clients	\$ 8,160,780	19,417,429	-	27,578,209
Intersegments	4,647,305	3,486,272	(8,133,577)	-
Interest income	9,641	15,571	(13,366)	11,846
Total revenue	\$ 12,817,726	22,919,272	(8,146,943)	27,590,055
Interest expense	\$ 23,562	36,136	(13,366)	46,332
Depreciation and amortization	426,056	407,318	-	833,374
Profit or loss from reportable segment	\$ 1,194,819	4,327,023	(48,693)	5,473,149
Profit or loss from reportable discontinued operations	\$ -	(2,184)	-	(2,184)
Non-current assets capital expenditure	\$ 541,457	265,715	-	807,172
Assets of reportable segments	\$ 9,922,213	16,977,131	(4,758,462)	22,140,882
Liabilities of reportable segments	\$ 2,239,162	3,859,778	(889,088)	5,209,852

ECLAT TEXTILE CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

	For the year ended December 31, 2017			
	Knitted	Clothing	Adjustments and write off	Total
Revenue:				
From external clients	\$ 7,353,874	16,878,096	-	24,231,970
Intersegments	4,795,710	3,076,695	(7,872,405)	-
Interest income	17,821	62,896	(8,545)	72,172
Total revenue	\$ 12,167,405	20,017,687	(7,880,950)	24,304,142
Interest expense	\$ 9,340	26,063	(8,545)	26,858
Depreciation and amortization	413,327	372,940	-	786,267
Profit or loss from reportable segment	\$ 1,177,105	2,588,777	(3,264)	3,762,618
Profit or loss from reportable discontinued operations	\$ -	(15,964)	-	(15,964)
Non-current assets capital expenditure	\$ 1,630,799	3,015,234	-	4,646,033
Assets of reportable segments	\$ 7,728,491	17,047,770	(4,709,847)	20,066,414
Liabilities of reportable segments	\$ 1,671,770	4,333,109	(1,010,711)	4,994,168

(c) Geographical information

Geographical information of the Group is as follows; revenue is based on the place where clients locate and non-current assets are based on the place where assets locate.

	For the years ended December 31	
Region	2018	2017
Revenue from external clients:		
Americas	\$ 16,216,054	14,032,846
Asia	8,117,002	7,397,679
Europe	1,669,603	1,767,291
the Middle East	785,396	452,299
Africa	475,523	446,632
Other countries	314,631	135,223
	\$ 27,578,209	24,231,970

	For the years ended December 31	
Region	2018	2017
Non-current assets		
Taiwan	\$ 6,349,002	6,189,968
Asia	4,351,911	4,228,219
Total	\$ 10,700,913	10,418,187

Non-current assets include property, plant and equipment, intangible assets and other assets, excluding financial instruments and deferred tax assets.

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

(d) Major customers

	For the years ended December 31	
	2018	2017
A customer	<u>\$ 3,435,550</u>	<u>3,202,813</u>

6.5 Financial Statements for the Years Ended December 31, 2018 and 2017, and Independent Auditors' Report

Independent Auditors' Report

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

Opinion

We have audited the accompanying financial statements of Eclat Textile Co., Ltd. (the "Company"), which comprise the balance sheets as of December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and its financial performance and its cash flows for the year ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audits in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters for the Company are stated as follows:

1. Revenue recognition

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

How the matter was addressed in our audit

Revenue recognition of the Company is the main concern of the consolidated financial report users in addition, the company has adopted IFRS 15 "Revenue from Contracts with Customers" since 2018. Therefore, the assessment of revenue recognition is one of the key audit items in our audit.

Our principal audit procedures included:

According to new standards, understanding for operation and industry characteristics to evaluate appropriateness on accounting policies; testing the design and implementation of internal control over revenue recognition, inspecting the accuracy of revenue recognition, and reconciling between sales systems and general ledger; analyzing the Company's main sources of revenues to evaluate whether there are major anomalies; analyzing the trend of revenue from different products to compare the difference between actual and budget; analyzing the agreements of selected customers to understand the sales terms and conditions for revenue recognition and to further inspect related transaction documents to ensure the revenue is recorded in the appropriate period.

2. Assessment of inventories

Please refer to Note 4(g) for details of the accounting policies of inventories and Note 6(c) for relevant disclosures of inventories of the financial statements.

How the matter was addressed in our audit

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

Our principal audit procedures included:

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

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of financial statements free from material misstatement due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company audit.

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

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

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

The engagement partners on the audit resulting in this independent auditors' report are Kuo Hsin Yi and Chen Hsiu Lan.

KPMG

Taipei, Taiwan (Republic of China)
March 14, 2019

Notes to Readers

The accompanying financial statements are intended only to present the statement of financial position, financial performance and 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 audit such financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' report and the accompanying 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 independent auditors' report and financial statements, the Chinese version shall prevail.

Balance Sheets
December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

		December 31, 2018		December 31, 2017				December 31, 2018		December 31, 2017	
Assets		Amount	%	Amount	%	Liabilities and Equity		Amount	%	Amount	%
Current assets:						Current liabilities:					
1100	Cash and cash equivalents (note 6 (a))	\$ 2,397,986	12	1,019,058	6	2150	Notes payable	\$ 262,688	1	301,660	2
1150	Notes receivable(including related parties) (notes 6 (b) and 7)	2,065	-	9,994	-	2170	Accounts payable	1,092,205	6	1,277,618	7
1170	Accounts receivable, net (note 6 (b))	3,811,947	19	3,400,900	19	2180	Accounts payable to related parties (note 7)	276,118	1	321,286	2
1200	Other receivables, net	69,429	-	64,264	-	2200	Other payables (note 6 (g))	871,006	4	747,525	4
1310	Inventories, net (note 6 (c))	3,498,815	17	3,718,751	20	2230	Current tax liabilities	728,433	4	403,347	2
1470	Other current assets (notes 6(f) and 8)	<u>195,836</u>	<u>1</u>	<u>143,642</u>	<u>1</u>	2399	Other current liabilities, others	<u>35,479</u>	<u>-</u>	<u>55,616</u>	<u>-</u>
	Total current assets	<u>9,976,078</u>	<u>49</u>	<u>8,356,609</u>	<u>46</u>		Total current liabilities	<u>3,265,929</u>	<u>16</u>	<u>3,107,052</u>	<u>17</u>
Non-current assets:						Non-current liabilities:					
1550	Investments accounted for using equity method (note 6 (d))	3,860,948	19	3,690,579	20	2570	Deferred tax liabilities (note 6 (h))	5,946	-	367	-
1600	Property, plant and equipment (notes 6 (e) and 8)	6,149,445	31	6,158,612	34	2640	Net defined benefit liability, non-current (note 6 (g))	2,016	-	127,307	1
1780	Intangible assets	9,104	-	15,713	-	2645	Guarantee deposits received	<u>1,488</u>	<u>-</u>	<u>1,488</u>	<u>-</u>
1840	Deferred tax assets (note 6 (h))	20,381	-	60,735	-		Total non-current liabilities	<u>9,450</u>	<u>-</u>	<u>129,162</u>	<u>1</u>
1900	Other non-current assets (note 6 (f))	<u>190,453</u>	<u>1</u>	<u>26,212</u>	<u>-</u>		Total liabilities	<u>3,275,379</u>	<u>16</u>	<u>3,236,214</u>	<u>18</u>
	Total non-current assets	10,230,331	51	9,951,851	54		Equity (Note 6 (i)):				
						3110	Ordinary share	<u>2,743,671</u>	<u>14</u>	<u>2,743,671</u>	<u>15</u>
						3200	Capital surplus	<u>3,769,547</u>	<u>19</u>	<u>3,769,437</u>	<u>21</u>
							Retained earnings:				
						3310	Legal reserve	2,318,613	11	2,013,408	11
						3320	Special reserve	104,100	-	-	-
						3350	Unappropriated retained earnings	<u>8,001,961</u>	<u>40</u>	<u>6,649,830</u>	<u>36</u>
							Total retained earnings	<u>10,424,674</u>	<u>51</u>	<u>8,663,238</u>	<u>47</u>
						3490	Other equity, others	<u>(6,862)</u>	<u>-</u>	<u>(104,100)</u>	<u>(1)</u>
							Total equity	<u>16,931,030</u>	<u>84</u>	<u>15,072,246</u>	<u>82</u>
							Total liabilities and equity	<u>\$ 20,206,409</u>	<u>100</u>	<u>18,308,460</u>	<u>100</u>
	Total assets	<u>\$ 20,206,409</u>	<u>100</u>	<u>18,308,460</u>	<u>100</u>						

(English Translation of Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD.

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

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

		2018		2017	
		Amount	%	Amount	%
4000	Operating revenue (notes 6 (k)(l) and 7)	\$ 27,558,271	100	24,196,831	100
5000	Operating costs (notes 6 (e)(g)(m), 7 and 12)	<u>20,250,495</u>	<u>73</u>	<u>18,033,554</u>	<u>75</u>
	Gross profit from operations	<u>7,307,776</u>	<u>27</u>	<u>6,163,277</u>	<u>25</u>
	Operating expenses (notes 6(b)(e)(g)(m), 7 and 12):				
6100	Selling expenses	1,302,110	5	1,251,036	5
6200	Administrative expenses	676,472	2	614,193	3
6300	Research and development expenses	<u>141,071</u>	<u>1</u>	<u>163,463</u>	<u>1</u>
	Total operating expenses	<u>2,119,653</u>	<u>8</u>	<u>2,028,692</u>	<u>9</u>
	Net operating income	<u>5,188,123</u>	<u>19</u>	<u>4,134,585</u>	<u>16</u>
	Non-operating income and expenses (note 6 (n)):				
7010	Other income	19,539	-	62,892	-
7020	Other gains and losses, net	202,696	1	(475,960)	(2)
7050	Finance costs	(6,770)	-	(471)	-
7070	Share of profit of associates accounted for using equity method, net	<u>50,861</u>	<u>-</u>	<u>5,797</u>	<u>-</u>
	Total non-operating income and expenses	<u>266,326</u>	<u>1</u>	<u>(407,742)</u>	<u>(2)</u>
7900	Income before income tax	5,454,449	20	3,726,843	14
7950	Less: Tax expense (note 6 (h))	<u>1,074,695</u>	<u>4</u>	<u>674,788</u>	<u>2</u>
8200	Profit	<u>4,379,754</u>	<u>16</u>	<u>3,052,055</u>	<u>12</u>
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8311	Gains (losses) on remeasurements of defined benefit plans (note 6(g))	(11,831)	-	6,850	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Components of other comprehensive income that will not be reclassified to profit or loss	<u>(11,831)</u>	<u>-</u>	<u>6,850</u>	<u>-</u>
8360	Components of other comprehensive income that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	121,546	-	(311,436)	(1)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss(note 6(h))	<u>(24,308)</u>	<u>-</u>	<u>52,944</u>	<u>-</u>
	Components of other comprehensive income that will be reclassified to profit or loss	<u>97,238</u>	<u>-</u>	<u>(258,492)</u>	<u>(1)</u>
8300	Other comprehensive income, net of income tax	<u>85,407</u>	<u>-</u>	<u>(251,642)</u>	<u>(1)</u>
8500	Total comprehensive income	<u>\$ 4,465,161</u>	<u>16</u>	<u>2,800,413</u>	<u>11</u>
	Earnings per share (note 6(j))				
9750	Basic earnings per share (in dollars)	<u>\$ 15.96</u>		<u>11.12</u>	
9850	Diluted earnings per share (in dollars)	<u>\$ 15.96</u>		<u>11.12</u>	

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD.

Statements of Changes in Equity
For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Retained earnings					Other equity		
	Ordinary share	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total retained earnings	Exchange differences on translation of foreign financial statements	Total equity
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
Profit	-	-	-	-	3,052,055	3,052,055	-	3,052,055
Other comprehensive income	-	-	-	-	6,850	6,850	(258,492)	(251,642)
Total comprehensive income	-	-	-	-	3,058,905	3,058,905	(258,492)	2,800,413
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	365,952	-	(365,952)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,824,367)	(2,824,367)	-	(2,824,367)
Stock dividends of ordinary share	53,797	-	-	-	(53,797)	(53,797)	-	-
Balance at December 31, 2017	2,743,671	3,769,437	2,013,408	-	6,649,830	8,663,238	(104,100)	15,072,246
Profit	-	-	-	-	4,379,754	4,379,754	-	4,379,754
Other comprehensive income	-	-	-	-	(11,831)	(11,831)	97,238	85,407
Total comprehensive income	-	-	-	-	4,367,923	4,367,923	97,238	4,465,161
Appropriation and distribution of retained earnings:								
Legal reserve appropriated	-	-	305,205	-	(305,205)	-	-	-
Special reserve appropriated	-	-	-	104,100	(104,100)	-	-	-
Cash dividends of ordinary share	-	-	-	-	(2,606,487)	(2,606,487)	-	(2,606,487)
Other changes in capital surplus	-	110	-	-	-	-	-	110
Balance at December 31, 2018	\$ 2,743,671	3,769,547	2,318,613	104,100	8,001,961	10,424,674	(6,862)	16,931,030

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	<u>2018</u>	<u>2017</u>
Cash flows from (used in) operating activities:		
Profit before tax	\$ 5,454,449	3,726,843
Adjustments:		
Adjustments to reconcile profit:		
Depreciation expense	261,115	267,672
Amortization expense	10,404	12,078
Interest expense	6,770	471
Interest income	(9,831)	(58,288)
Share of profit of associates accounted for using equity method	(50,861)	(5,797)
Loss (Gain) on disposal of property, plant and equipment	<u>8,419</u>	<u>(816)</u>
Total adjustments to reconcile profit	<u>226,016</u>	<u>215,320</u>
Changes in operating assets and liabilities:		
Increase in notes and accounts receivable	(403,118)	(316,031)
Decrease (increase) in inventories	219,936	(871,676)
(Increase) decrease in other current assets	(53,977)	35,762
(Decrease) increase in notes and accounts payable	(269,553)	264,075
Increase in other payables	120,906	89,890
(Decrease) increase in other current liabilities	(20,137)	13,667
(Decrease) increase in net defined benefit liability	<u>(137,122)</u>	<u>2,458</u>
Total changes in operating assets and liabilities	<u>(543,065)</u>	<u>(781,855)</u>
Total adjustments	<u>(317,049)</u>	<u>(566,535)</u>
Cash inflow generated from operations	5,137,400	3,160,308
Interest received	6,478	56,140
Interest paid	(6,770)	(471)
Income taxes paid	<u>(725,300)</u>	<u>(760,412)</u>
Net cash flows from operating activities	<u>4,411,808</u>	<u>2,455,565</u>
Cash flows from (used in) investing activities:		
Acquisition of investments accounted for using equity method	-	(31,491)
Acquisition of property, plant and equipment	(227,838)	(3,674,702)
Proceeds from disposal of property, plant and equipment	729	1,962
Decrease in refundable deposits	1,707	623
Acquisition of intangible assets	(3,795)	(452)
Increase in prepayments for business facilities	(199,234)	(108,883)
Dividends received	<u>2,038</u>	<u>2,324</u>
Net cash flows used in investing activities	<u>(426,393)</u>	<u>(3,810,619)</u>
Cash flows from (used in) financing activities:		
Decrease in guarantee deposits received	-	(1,214)
Cash dividends paid	<u>(2,606,487)</u>	<u>(2,824,367)</u>
Net cash flows used in financing activities	<u>(2,606,487)</u>	<u>(2,825,581)</u>
Net increase (decrease) in cash and cash equivalents	1,378,928	(4,180,635)
Cash and cash equivalents at beginning of period	<u>1,019,058</u>	<u>5,199,693</u>
Cash and cash equivalents at end of period	<u><u>\$ 2,397,986</u></u>	<u><u>1,019,058</u></u>

See accompanying notes to financial statements.

(English Translation of Financial Statements Originally Issued in Chinese)
ECLAT TEXTILE CO., LTD.

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017

(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. It has mainly been involved in the manufacturing and marketing of knitwear.

(2) Approval date and procedures of the financial statements

On March 14, 2019, the board of directors approved and note the financial statements as of and for the year ended December 31, 2018.

(3) New standards, amendments and interpretations adopted

- (a) The impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) which have already been adopted.

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.

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 “Clarifications of 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

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

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

(i) 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 the existing revenue recognition guidance, including IAS 18 “Revenue” and IAS 11 “Construction Contracts”.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

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.

2) Impacts on financial statements

Based on its preliminary assessment, the Company suggests the point in time at which the customer accepts the goods is similar to when the related risks and rewards of ownership transfer and does not expect that there will be a significant impact on its financial statements.

(ii) 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.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 “Presentation of Financial Statements” which requires impairment of financial assets to be presented in a separate line item in the statement of comprehensive income. Previously, the Company’s approach was to include the impairment of accounts receivable in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 Financial Instruments: Disclosures that are applied to disclosures about 2018 but generally have not been applied to comparative information.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

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 classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous 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 a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any a significant impact on its accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with the ‘expected credit loss’ (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39 – please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

— The determination of the business model within which a financial asset is held.

4) Classification of financial assets on the date of initial application of IFRS 9

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

	IAS39		IFRS9	
	<u>Measurement categories</u>	<u>Carrying Amount</u>	<u>Measurement categories</u>	<u>Carrying Amount</u>
Financial Assets				
Cash and equivalents	Loans and receivables	\$ 1,019,058	Amortized cost	1,019,058
Net receivables	Loans and receivables (note 1)	3,475,158	Amortized cost	3,475,158

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Other financial assets	Loans and receivables	\$ 6,582	Amortized cost	6,582

Note1: Notes receivable, accounts receivable and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost. The adoption of IFRS 9 did not have any effect on retained earnings as of January 1, 2018.

- (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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 “Leases”	January 1, 2019
IFRIC 23 “Uncertainty over Income Tax Treatments”	January 1, 2019
Amendments to IFRS 9 “Prepayment features with negative compensation”	January 1, 2019
Amendments to IAS 19 “Plan Amendment, Curtailment or Settlement”	January 1, 2019
Amendments to IAS 28 “Long-term interests in associates and joint ventures”	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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

- (i) IFRS 16 “Leases”

IFRS 16 replaces the existing leases guidance, including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify leases as finance or operating leases.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

1) Determining whether an arrangement contains a lease

On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grant the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company is assessing the potential impact of using these practical expedients.

- apply a single discount rate to a portfolio of leases with similar characteristics.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Company estimated that the right-of-use assets and the lease liabilities to increase by \$57,936 thousand and \$58,416 thousand respectively, as well as the retained earnings to decrease by \$480 thousand on January 1, 2019. No significant impact is expected for the Company's finance leases. In addition, the Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

- (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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
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 17 “Insurance Contracts”	January 1, 2021
Amendments to IAS 1 and IAS 8 “Definition of Material”	January 1, 2020

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 31, 2018	Amendments to IAS 1 and IAS 8 “Definition of Material”	The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS Standards. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

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

(4) Summary of significant accounting policies:

The significant accounting policies presented in the financial statements are summarized as follows. Except for Note 3 and 4(f)(m), the following accounting policies were applied consistently through all reporting periods presented in the financial statements.

- (a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the net defined benefit liabilities are measured at the fair value of the plan assets, less the present value of the defined benefit obligation.

(ii) Functional and presentation currency

The functional currency of the Company is determined based on the primary economic environment in which the entities operate. The financial statements are presented in New Taiwan Dollar, which is the Company's functional currency. All financial information presented in New Taiwan Dollar has been rounded to the nearest thousand.

(c) Foreign currency

(i) Foreign currency transaction

Transactions in foreign currencies are translated to the respective functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of transaction.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to the Company's functional currency at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to the Company's functional currency at average rate. Foreign currency differences are recognized in other comprehensive income, and presented in the foreign currency translation reserve in equity.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Company disposes any part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interest. When the Company disposes only part of investment in an associate of joint venture that includes a foreign operation while retaining significant or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

An entity shall classify an asset as current with one of the following rules; an entity shall classify all other assets as non-current:

- (i) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- (ii) It holds the asset primarily for the purpose of trading;
- (iii) It expects to realize the asset within twelve months after the reporting date; or
- (iv) The asset is cash or cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

An entity shall classify a liability with one of the following rules as current; an entity shall classify all other liabilities as non-current:

- (i) It expects to settle the liability in its normal operating cycle;
- (ii) It holds the liability primarily for the purpose of trading;
- (iii) The liability is due to be settled within twelve months after the reporting period; or
- (iv) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash comprise cash on hand and cash in bank. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Term deposits that meet the above requirements and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes are classified under cash equivalents.

(f) Financial instruments (applicable from January 1, 2018)

- (i) Financial assets (applicable from January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

The Company shall reclassify all affected financial assets only when it changes its business model for managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest revenue, foreign exchange gains and losses and impairment loss are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss. A regular way purchase or sale of financial assets shall be recognized, as applicable, using trade-date accounting.

2) Impairment of financial assets

The Company recognizes loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivables, refundable deposit and other financial assets).

The Company measures loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for accounts receivable are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Company considers a financial asset to be in default when the financial asset is more than 180 days past due.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is "credit-impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial assets is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganization;

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

3) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(ii) Financial assets (applicable before January 1, 2018)

The Company classifies financial assets into the following categories: loans and receivables.

1) Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables comprised accounts receivable and other receivables. Such assets are recognized initially at fair value, plus, any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less, any impairment losses other than insignificant interest on short-term receivables. A regular way purchase or sale of financial assets shall be recognized and derecognized, as applicable, using trade-date accounting.

2) Impairment of financial assets

A financial asset is impaired if, and only if, there is an objective evidence of impairment as a result of one or more events (a loss event) that occurred subsequent to the initial recognition of the asset and that a loss event (or events) has an impact on the future cash flows of the financial assets that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Company on terms that the Company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is accounted for as objective evidence of impairment.

All individually significant receivables are assessed for specific impairment. Receivables that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment, the Company uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or lesser than those suggested by historical trends.

The carrying amount of a financial asset is reduced for an impairment loss, except for accounts receivable, in which an impairment loss is reflected in an allowance account against the receivables. When it is determined a receivable is uncollectible, it is written off against the allowance account. Any subsequent recovery from written off receivable is charged to the allowance account. Changes in the allowance accounts are recognized in profit or loss.

Recovery and loss on doubtful debts of account receivables are included in the operating expense and non-operating income; others are included in non-operating income and expense.

(Continued)

ECLAT TEXTILE CO., LTD.
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3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received or receivable and any cumulative gain or loss that had been recognized in other comprehensive income and presented in other equity account unrealized gains or losses from available for sale financial assets is recognized as profit or loss under non-operating income and expenses.

On partial derecognition of a financial assets, the relative fair value of the partial derecognized financial assets at the transfer date is used to apportion the original book value of the financial assets on a pro-rata basis, to the portion of continual recognition resulted from continual participation and of derecognition. The difference between the carrying amount apportioned to the portion of the derecognized and the sum of the consideration received or receivable from the derecognized and any cumulative gain or loss that had been recognized in other comprehensive income apportioned to the derecognized is recognized as profit or loss under non-operating income and expenses. Any cumulative gain or loss that had been recognized in other comprehensive income is apportioned to the portion of continual recognition and derecognition on a pro-rata basis of their fair value.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity instruments in accordance with the substance of the contractual agreement.

Equity instruments are any contractual agreement that can manifest the Company's residual interest after assets, less, liabilities. Equity instruments issued are recognized based on amount of consideration received, less, the direct cost of issuing.

Interest related to the financial liability is recognized in profit or loss under non-operating income and expenses.

On conversion, the financial liability is reclassified to equity, and no gain or loss is recognized.

2) Financial liabilities reported at fair value through profit or loss

Financial liabilities classified under this category are mainly the financial liabilities held-for-trading or financial liabilities reported at fair value through profit or loss.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

The purposes of financial liabilities held-for-trading are for repurchasing or selling in short-term. Under the following conditions, financial liabilities will be recognized as financial liabilities reported at fair value through profit or loss.

- a) Measurement and recognition varies because of the elimination or material reduction of gain or loss with different measurement basis for assets and liabilities.
- b) Financial liabilities measured at fair value.
- c) Mixed instruments with embedded derivatives.

At initial recognition, this type of financial liabilities is measured at fair value; transaction costs are recognized as income or loss if occurred, and subsequent measurement is measured at fair value. Remeasurements of gains or losses, including relevant interest expense, are recognized as income or loss, and are reported under non-operating revenue and expenditure.

3) Other financial liabilities

At initial recognition, financial liabilities not classified as held-for-trading, or designated as fair value through profit or loss, which consist of loans and borrowings, and trade and other payables are measured at fair value, plus, any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss under non-operating income and expenses.

4) Derecognition of financial liabilities

A financial liability is derecognized when its contractual obligation has been discharged or cancelled or expired.

The difference between the carrying amount of a financial liability removed and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss, and is included in non-operating income and expenses.

5) Offsetting of financial liabilities and assets

The Company presents financial assets and liabilities on net basis when the Company has the legally enforceable rights to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

(g) Inventories

Inventories are necessary expenditures and charges for bringing the inventory to a salable and useable condition and location. In the case of manufactured overhead, cost includes an appropriate share of production overheads based on normal operating capacity of labor hours or machine hours and is allocated to finish goods and work-in-progress. Inventories are measured at the lower of cost and net realizable value subsequently and the cost of inventories is calculated using the monthly weighted-average method. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill that arose from the acquisition less any accumulated impairment losses.

The Company's financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, or the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses should be discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(i) Investment in subsidiaries

In preparing the financial statements, the Company appraises its investees by using equity method. Under equity method, current income and other comprehensive income from financial statement is the same as the consolidated income and other comprehensive income attributable to parent. Shareholders' equity is the same as the consolidated shareholders' equity.

The Company treated the changes of subsidiaries' equity as transactions among owners.

(j) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprised the material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost eligible for capitalization. In addition, the cost also include the amount of the effective cash flow hedge resulted from the foreign currency purchase of property, plant and equipment. Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

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ECLAT TEXTILE CO., LTD.
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When property, plant and equipment include different components, which are relatively material to the total cost of the item, different depreciation rate or methods may be applied. These components should be viewed as individual items (main parts) in the property, plant or equipment.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as non-operating income and expenses.

(ii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that future economic benefits associated with the expenditure can be assessed reasonably, and will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iii) Depreciation

Depreciation is calculated based on the depreciable amount of an asset using the straight-line basis over its useful life. The depreciation amount of an asset is determined based on the cost, less, its residual value. The depreciation is assessed according to the material components of each item. If the useful life of one component is different from the others, this component should be depreciated individually. The depreciation charge for each period is recognized in profit or loss.

Land has an unlimited useful life, and therefore, is not depreciated. The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

- 1) Buildings: 5 to 60 years.
- 2) Machinery and equipment: 2 to 25 years.
- 3) Transportation equipment: 3 to 8 years.
- 4) Office equipment: 5 to 9 years.
- 5) Miscellaneous equipment: 3 to 15 years.

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If the expectation of useful lives differs from the previous estimate, the change is accounted for as a change in an accounting estimate.

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ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(k) Intangible assets

(i) Other intangible assets

Other intangible assets that are acquired by the Company are measured at cost, less, accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

The amortizable amount is the cost of an asset or other amount substituted for cost, less, its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

1) Software: 2 to 3 years.

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each fiscal year-end. Any change shall be accounted for as changes in accounting estimates.

(l) Impairment of non-financial assets

Non-financial assets except for inventories, deferred tax assets are assessed at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the Company shall estimate the recoverable amount of the asset. If it is not possible to determine the recoverable amount (fair value, less, cost to sell and value in use) for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for individual asset or a cash-generating unit is the higher of its fair value, less costs to sell and its value in use.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. An impairment loss recognized in prior periods for an asset other than goodwill shall be reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

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ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(m) Revenue recognition

(i) Revenue from contracts with customers (applicable from January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer.

The Company manufactures and sells elastic fabrics and clothing. The Company recognizes revenue when control of the products has transferred, being when the products are delivered to the customer, the customer has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Company has a right to an amount of consideration that is unconditional.

(ii) Revenue recognition (applicable before January 1, 2018)

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement that the significant risks and rewards of ownership have been transferred to the customer. Recovery of the consideration is probable. The associated costs and possible return of goods can be estimated reliably, there is no continuing management involved with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. International shipments transfer usually occurs upon loading the goods onto the relevant carrier at the port. For domestic sales, transfers occur upon issuing of receipt by the customer.

(n) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plan are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plan is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. Any fair value of any plan assets are deducted from the aforesaid discounted present value. The discount rate is the yield at the reporting date on bonds (market yields of government bonds) that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation of defined benefit obligation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by the employees, the expense is recognized immediately in profit or loss.

Remeasurement of the net defined benefit liabilities includes: (a) actuarial gains and losses; (b) return on plan assets, not including the amounts of net interest included in net defined benefit liabilities; and (c) any changes of the amounts of affecting of upper limits of assets, not including the amounts of net interests included in net defined benefit liabilities.

Remeasurement, comprising actuarial gains and losses, is recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings.

The Company recognized gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on curtailment comprises any resulting change in the fair value of plan assets, change in the present value of defined benefit obligation.

(iii) Short-term employee benefits

Short-term employee benefits obligations are measured on an undiscounted basis and are expensed when related service are provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(o) Income taxes

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combination, or those recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes include tax payables and tax receivables on taxable gains (losses) for the year calculated using the statutory tax rate on the reporting date or the actual legislative tax rate, as well as tax adjustments related to tax payable in prior years.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the below exceptions:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
- (ii) Temporary differences arising from equity investments on subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
- (iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to be applied to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
- (ii) The taxing of deferred tax assets and liabilities fulfill one of the below scenarios:
 - 1) Levied by the same taxing authority; or
 - 2) Levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for the carry-forward of unused tax losses, unused tax credits, and deductible temporary differences, to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(p) Earnings per share

The Company reports the basic earnings per share and the diluted earnings per share. The basic earnings per share are calculated based on the profit attributable to the ordinary shareholder of the Company divided by weighted average number of ordinary shares outstanding. The diluted earnings per share is calculated based on the profit attributable to ordinary shareholders of the Company, divided by weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

(q) Operating segments

The Company has already disclosed the segment information in the consolidated financial statement; therefore, the Company need not disclose the segment information again in the financial statement.

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

The preparation of the financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to 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.

The management continues to monitor the accounting estimates and assumptions. The management recognizes any changes in accounting estimates during the period and the impact of those changes in accounting estimates in the next period.

Refer to note 4(g) inventories for information of accounting policies regarding assumptions and significant judgments which has material impact on the consolidated financial statements.

(6) Explanation of significant accounts:

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash	\$ 2,413	4,316
Bank deposits	1,595,520	568,342
Term deposits	<u>800,053</u>	<u>446,400</u>
Cash and cash equivalents	<u>\$ 2,397,986</u>	<u>1,019,058</u>

Please refer to note 6 (o) for sensitivity analysis, exchange risk and interest rate risk of the financial assets and liabilities of the Company.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(b) Notes receivable and accounts receivable

	December 31, 2018	December 31, 2017
Notes receivable—operating activities	\$ 2,065	9,994
Accounts receivable	3,836,033	3,424,986
Less : allowance for doubtful accounts	<u>(24,086)</u>	<u>(24,086)</u>
Total	<u>\$ 3,814,012</u>	<u>3,410,894</u>

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected loss provision for all receivables on December 31, 2018. To measure the expected credit losses, notes and accounts receivable have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward looking information. The loss allowance provision as of December 31, 2018 was determined as follows :

	Gross carrying amount	Weighted-aver age loss rate	Loss allowance provision
Current	\$ 3,716,187	0.49%	18,067
Within 30 days past due	117,174	3.22%	3,771
31~120 days past due	4,223	41.05%	1,734
Over 121 days past due	<u>514</u>	100.00%	<u>514</u>
	<u>\$ 3,838,098</u>		<u>24,086</u>

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and the aging analysis of notes and accounts receivable, which were past due but not impaired, was as follows :

	December 31, 2017
Within 30 days past due	\$ 301,418
31~120 days past due	<u>20,246</u>
	<u>\$ 321,664</u>

The movement in the allowance for notes and accounts receivable was as follows :

	For the year ended December 31, 2017	For the year ended December 31, 2018
	Individually assessed impairment	Collectively assessed impairment
Beginnig balance (per IAS 39 & IFRS 9)	\$ 17,385	6,701
Provision	454	-
Reversal	-	(454)
Ending balance	<u>\$ 17,839</u>	<u>6,247</u>

(Continued)

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The average credit term of sales of goods for the Company is from 30 to 60 days. On deciding the recoverability of accounts receivable and notes receivable, the Company will consider any change in quality of credit of accounts receivable and notes receivable from the original credit date to the reporting date. According to the historical experience, the recoverability of accounts receivable and notes receivable, which overdue more than 180 days, is unrecoverable, the Company has recognized accounts receivable and notes receivable, which overdue more than 180 days, as 100% bad debts. The Company estimated the amount of uncollectible accounts receivable and notes receivable, which from one to 180 days, by referring to the counterparty's historical default records in payments and the analysis of current financial condition.

Impairment loss of separate assessment of bad debts is the difference between carrying amount of accounts receivable and expected recoverable amount. The Company held no collateral for the above amount.

The Company thinks that the accounts receivable and notes receivable those not overdue or overdue less than the average credit terms should not be appropriated according to historical experience.

Accounts receivable of the Company have been insured accounts receivable credit risk. The insured amounts are \$514,914 thousand and \$141,244 thousand as of December 31, 2018 and 2017. 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 Company were pledged, collateralized or discounted as of December 31, 2018 and 2017.

The Company has signed accounts receivable factoring contracts without recourse with financial institutions. As stated in the contract, the Company doesn't have to bear the risks of uncollectable accounts receivables but the loss incurred due to commercial arguments, and hence meets the criteria of derecognition of financial assets. Factored accounts receivables which are not due as of the report date are as follows:

December 31, 2018					
Counterparty	Factored amount	Line	Amount collected in advance	Interest rate	Pledged items
E.sun Bank	<u>\$ 240,600</u>	<u>1,506,571</u>	<u>240,600</u>	<u>2.87%~3.44%</u>	None

December 31, 2017					
Counterparty	Factored amount	Line	Amount collected in advance	Interest rate	Pledged items
E.sun Bank	<u>\$ 189,625</u>	<u>749,952</u>	<u>189,625</u>	<u>2.12%</u>	None

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ECLAT TEXTILE CO., LTD.
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(c) Inventories

	December 31, 2018	December 31, 2017
Raw materials	\$ 2,116,561	2,335,846
Supplies	512,323	594,952
Work in progress	733,524	662,551
Finished goods	<u>136,407</u>	<u>125,402</u>
	<u>\$ 3,498,815</u>	<u>3,718,751</u>

There was no recognized loss of inventory price due to write-downs from inventories to net realizable value for 2018 and 2017.

None of inventories held by the Company were pledged as of December 31, 2018 and 2017.

(d) Investment under equity method

A summary of the Company's financial information for equity-accounted investees at the reporting date is as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	\$ 3,846,176	3,675,937
Associates	<u>14,772</u>	<u>14,642</u>
	<u>\$ 3,860,948</u>	<u>3,690,579</u>

(i) Subsidiaries: Please refer to consolidated financial statements.

(ii) None of investment under equity method held by the Company was pledged as of December 31, 2018 and 2017.

(e) Property, plant and equipment

The cost and depreciation of the property, plant and equipment of the Company are as follows:

	Land	Buildings	Machinery and equipment	Transportation equipment	Office equipment	Miscellaneous equipment	Construction in progress	Total
Cost:								
Balance at January 1, 2018	\$ 4,790,091	1,190,268	1,837,583	42,554	111,219	204,144	-	8,175,859
Additions	-	2,453	15,001	4	2,583	5,591	202,206	227,838
Disposals	-	-	(42,073)	(1,011)	-	(1,335)	-	(44,419)
Reclassification	-	-	30,662	2,150	-	446	-	33,258
Balance as of December 31, 2018	<u>\$ 4,790,091</u>	<u>1,192,721</u>	<u>1,841,173</u>	<u>43,697</u>	<u>113,802</u>	<u>208,846</u>	<u>202,206</u>	<u>8,392,536</u>
Balance at January 1, 2017	\$ 1,158,806	1,189,688	1,712,766	34,354	108,747	240,502	-	4,444,863
Additions	3,631,285	2,010	28,559	1,165	2,989	8,694	-	3,674,702
Disposals	-	(1,430)	(11,493)	(2,340)	(517)	(52,820)	-	(68,600)
Reclassification	-	-	107,751	9,375	-	7,768	-	124,894
Balance as of December 31, 2017	<u>\$ 4,790,091</u>	<u>1,190,268</u>	<u>1,837,583</u>	<u>42,554</u>	<u>111,219</u>	<u>204,144</u>	<u>-</u>	<u>8,175,859</u>

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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>
Depreciation:								
Balance at January 1, 2018	\$ -	494,770	1,278,569	27,553	91,277	125,078	-	2,017,247
Depreciation	-	46,312	172,992	4,865	6,865	30,081	-	261,115
Disposals	-	-	(32,924)	(1,011)	-	(1,336)	-	(35,271)
Balance as of December 31, 2018	<u>\$ -</u>	<u>541,082</u>	<u>1,418,637</u>	<u>31,407</u>	<u>98,142</u>	<u>153,823</u>	<u>-</u>	<u>2,243,091</u>
Balance at January 1, 2017	\$ -	449,492	1,113,339	24,429	83,020	146,749	-	1,817,029
Depreciation	-	46,136	176,690	5,464	8,609	30,773	-	267,672
Disposals	-	(858)	(11,460)	(2,340)	(352)	(52,444)	-	(67,454)
Balance as of December 31, 2017	<u>\$ -</u>	<u>494,770</u>	<u>1,278,569</u>	<u>27,553</u>	<u>91,277</u>	<u>125,078</u>	<u>-</u>	<u>2,017,247</u>
Carrying amounts:								
Balance as of December 31, 2018	<u>\$ 4,790,091</u>	<u>651,639</u>	<u>422,536</u>	<u>12,290</u>	<u>15,660</u>	<u>55,023</u>	<u>202,206</u>	<u>6,149,445</u>
Balance as of December 31, 2017	<u>\$ 4,790,091</u>	<u>695,498</u>	<u>559,014</u>	<u>15,001</u>	<u>19,942</u>	<u>79,066</u>	<u>-</u>	<u>6,158,612</u>

The property, plant and equipment are pledged or mortgaged as collateral for loans as of December 31, 2018 and 2017, please refer to note 8.

(f) Other current or non-current assets

Current:

	December 31, 2018	December 31, 2017
Tax refund receivables	\$ 77,921	84,273
Payment in advance	65,065	21,820
Prepaid expense	23,477	23,774
Other prepaid	6,798	7,324
Temporary payments	8,072	2,471
Office supplies	1,961	1,414
Other financial assets	2,000	2,000
Prepaid sales tax	10,542	566
	<u>\$ 195,836</u>	<u>143,642</u>

Non-current:

	December 31, 2018	December 31, 2017
Prepayments for equipment	\$ 187,578	21,630
Refundable deposits	2,875	4,582
	<u>\$ 190,453</u>	<u>26,212</u>

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(g) Employee benefits

(i) Defined benefit plan

Reconciliation for present value of defined benefit obligation and fair value of plan assets are as follows:

	December 31, 2018	December 31, 2017
Present value of defined benefit obligation	\$ 244,210	226,084
Fair value of plan assets	<u>(242,194)</u>	<u>(98,777)</u>
Net defined benefit liabilities	<u>\$ 2,016</u>	<u>127,307</u>

Employee's benefits liabilities of the Company are as follows:

	December 31, 2018	December 31, 2017
Long-term compensated absences liability	<u>\$ 41,633</u>	<u>34,399</u>

Under the Company's employee benefit retirement plan, contributions are made to an independent fund that is deposited with Bank of Taiwan. Employees are eligible for retirement and payments of retirement benefits are based on years of service and the average salary for the last six months before the employee's retirement according to the Labor Standards Law.

1) Composition of the plan asset

The retirement funds deposited by the Company according to the Labor Standards Law are managed by the Bureau of Labor Funds, Ministry of Labor (the "BLF"). According to Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, the usage of funds and their minimum amount of return distributed by the final accounts shall not be less than the income calculated by the two-year deposit interest rate of local bank.

As of December 31, 2018, the Company's pension fund with Bank of Taiwan amounted to \$242,194 thousand. Please refer to the related information published on the website of the Labor Pension Supervisory Committee concerning the utilization of the labor pension fund, related yield rate and its allocation.

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- 2) Changes in present value of the defined benefit obligations were as follows:

	For the years ended December 31	
	2018	2017
Defined benefit obligations at January 1	\$ 226,084	242,462
Current service cost and interest	4,797	4,833
Remeasurement of defined benefit liability		
- Actuarial gains and losses of experience adjustments	8,181	151
- Actuarial losses of financial assumptions change	7,239	(7,349)
Benefits paid	(2,091)	(14,013)
Defined benefit obligations at December 31	\$ 244,210	226,084

- 3) Changes in the fair value of the plan asset were as follows:

	For the years ended December 31	
	2018	2017
Fair value of plan assets at January 1	\$ 98,777	110,763
Remeasurement of net defined benefit liability		
- Return on plan assets (excluding current interest)	4,937	889
Appropriated amount to the plan	140,571	1,138
Benefits paid	(2,091)	(14,013)
Fair value of plan assets at December 31	\$ 242,194	98,777

- 4) Expense recognized as profit or loss

Expense recognized as profit or loss for 2018 and 2017 were as follows:

	For the years ended December 31	
	2018	2017
Current service cost	\$ 1,705	2,130
Interest of net defined benefit liability	1,744	1,466
	\$ 3,449	3,596

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	For the years ended December 31	
	2018	2017
Operating cost	\$ 852	2,277
Selling expense	1,193	326
Administrative expense	1,404	992
R&D expense	-	1
	<u>\$ 3,449</u>	<u>3,596</u>

- 5) Remeasurement of net defined benefit liabilities recognized in other comprehensive income

The Company's remeasurment of net defined benefit liabilities recognized in other comprehensive income for 2018 and 2017, were as follows:

	For the years ended December 31	
	2018	2017
Accumulated amount at January 1	\$ 22,980	29,830
Recognized in current period	11,831	(6,850)
Accumulated amount at December 31	<u>\$ 34,811</u>	<u>22,980</u>

- 6) Actuarial assumptions

Major assumptions used to determine the present value of the defined benefit obligations were as follows:

	December 31, 2018	December 31, 2017
Discount rate	1.125%	1.375%
Future salary increases rate	3.000%	3.000%

Expected appropriated amount paid to defined benefit plan by the Company during 1 year after the reporting date of 2018 is \$2,697 thousand.

The weighted average duration of the defined benefit plan is 13.39 years.

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7) Sensitivity analysis

As of December 31, 2018 and 2017, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	Effect of defined benefit obligations	
	Increase 0.25%	Decrease 0.25%
December 31, 2018		
Discount rate (change 0.25%)	\$ (7,239)	7,527
Future salary increases rate (change 0.25%)	7,254	(7,006)
December 31, 2017		
Discount rate (change 0.25%)	(7,047)	7,349
Future salary increases rate (change 0.25%)	7,093	(6,846)

The sensitivity analysis presented above may not be representative of the actual change in the present value of the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated. The sensitivity analysis adopts the same methods for determining the defined benefit assets at the balance sheet date.

(ii) Defined contribution plan

The Company contributes an amount equal to 6% of the employee's monthly wages to the Labor Pension personal account of the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act, under which, the Company is not required to bear the regulated or putative obligation subsequent to the payment of fixed-rate contribution.

The Company's pension costs under the defined contribution pension plan amounted to \$46,382 thousand and \$42,927 thousand for 2018 and 2017, respectively. Those pension costs have been contributed to Bureau of the Labor Insurance or local relevant authorities.

(h) Income tax

The amendment on Income Tax Law has been issued by the Presidential Palace on February 7, 2018 which rises the profit-seeking enterprise income tax rate from 17% to 20% in 2018.

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(i) Income tax expense

The details of income tax expense were as follows:

	For the years ended December 31	
	2018	2017
Current tax expense	\$ 1,053,070	690,972
Deferred tax expense		
Temporary differences	32,278	(16,184)
Change of income tax rate	(10,653)	-
Total income tax expense	<u>\$ 1,074,695</u>	<u>674,788</u>

The details of income tax expense under other comprehensive income were as follows:

	For the years ended December 31	
	2018	2017
Components of other comprehensive income that will be reclassified to profit or loss		
Exchange differences on transaction of foreign financial statements.	<u>\$ 24,308</u>	<u>(52,944)</u>

The reconciliation between income tax expense and profit before tax are as follow:

	For the years ended December 31	
	2018	2017
Profit before tax	\$ 5,454,449	3,726,843
Income tax using the individual Company's domestic tax rate	1,090,890	633,563
Change of income tax rate	(10,653)	-
Under provision in prior periods	100	3,851
The 10% surtax on undistributed earnings	4,311	40,018
Others	(9,953)	(2,644)
	<u>\$ 1,074,695</u>	<u>674,788</u>

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(ii) Deferred tax assets and liabilities

1) Recognized deferred tax assets and liabilities

Changes in deferred tax assets and liabilities for 2018 and 2017 were as follows:

Deferred tax assets:

January 1, 2018	\$ 60,735
Recognized in expense	(16,046)
Exchange differences on translation of foreign financial statements	<u>(24,308)</u>
December 31, 2018	<u>\$ 20,381</u>
January 1, 2017	\$ 31,537
Recognized in income	7,876
Exchange differences on translation of foreign financial statements	<u>21,322</u>
December 31, 2017	<u>\$ 60,735</u>

Deferred tax liability:

January 1, 2018	\$ 367
Recognized in expense	<u>5,579</u>
December 31, 2018	<u>\$ 5,946</u>
January 1, 2017	\$ 40,297
Recognized in income	(8,308)
Exchange differences on translation of foreign financial statements	<u>(31,622)</u>
December 31, 2017	<u>\$ 367</u>

(iii) Income tax approved

The Company's income tax returns through 2016 had been examined by the R.O.C. tax authority.

(i) Stockholders' equity

Authorized capital stock authorized shares of capital stock and issued capital stock as of December 31, 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Authorized capital stock	<u>\$ 3,000,000</u>	<u>3,000,000</u>
Authorized shares (thousand)	<u>300,000</u>	<u>300,000</u>
Issued shares (thousand)	<u>274,367</u>	<u>274,367</u>

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Reconciliation of the Company's outstanding shares for 2018 and 2017 are as follows:

	Common stock (thousand shares)	
	For the years ended December 31	
	2018	2017
January 1	274,367	268,987
Stock dividends	-	5,380
December 31	<u>274,367</u>	<u>274,367</u>

(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 was July 31, 2017. All issued shares were paid up upon issuance and reported under equity.

(ii) Capital surplus

The balances of capital surplus were as follows:

	December 31, 2018	December 31, 2017
Paid-in capital in excess of par value	\$ 3,550,000	3,550,000
Treasury stock transactions	396	396
Unpaid compensation to directors and supervisors	1,377	1,377
Net assets from merger with Everbright Garment	15,866	15,866
Unpaid dividend payables	113	3
Employee stock options	201,795	201,795
	<u>\$ 3,769,547</u>	<u>3,769,437</u>

According to Company Law, realized capital surplus can be transferred to common stock or distributed as cash dividends after deducting the accumulated deficit, if any. Realized capital surplus includes the additional paid-in capital from issuance of common stock in excess of the common stock's par value and donation from others. Paid-in capital in excess of par value is transferrable to common stock annually but shall not exceed 10% of total issued and outstanding common stock according to Regulations Governing the Offering and Issuance of Securities by Securities Issuers.

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(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. In a normal consideration, the percentage of earnings distribution shall not be less than 50% of the net earnings of the current year after compensating for accumulated deficits, if any. 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) Legal reserve

In accordance with the Company Act, 10% of net income after tax should be set aside as legal reserve, until the legal reserve is equal to authorized capital. If the Company experienced profit for the year, the distribution of the statutory earnings reserve, either by new shares or by cash, shall be decided at the shareholders meeting, and the distribution amount is limited to the portion of legal reserve which exceeds 25% of the paid-in capital.

2) Special reserve

A regulation issued by the Securities and Futures Bureau requires a special reserve be made from the unappropriated earnings, equivalent to current income or loss and prior period-undistributed earnings from the reduction of other equity; the special reserve appropriated from prior period-undistributed earnings cannot be distributed. If the reductions of other equity reverse, the reverse parts can be distributed. The Company is applicable to the regulations in Interpretation No.1010012865 by FSC for recognizing special reserve.

3) Earnings appropriation and distribution

Earnings distributions for 2017 and 2016 were decided via the annual general meeting of the shareholders held on June 14, 2018 and June 16, 2017, respectively. The relevant dividend distributions to shareholders were as follows:

For the years ended December 31				
	2017		2016	
	per share (dollars)	amount	per share (dollars)	amount
Dividends distributed to ordinary shareholders:				
Cash dividends	\$ 9.50	2,606,487	10.50	2,824,367
Stock dividends	-	-	0.20	53,797
Total		<u>\$ 2,606,487</u>		<u>2,878,164</u>

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As mentioned above, please browse through the relative information approved during the board of directors' and shareholder's meeting on Market Observation Post System website of the Taiwan Stock Exchange.

The appropriation of the Company's 2018 earnings was subject to a resolution approved by the board of directors and the annual shareholders' meetings. Following the approval of those resolutions, related information can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

(iv) Other equity (net of income tax)

	Exchange differences on translation of foreign financial statements
Balance at January 1, 2018	\$ (104,100)
Exchange differences on translation of foreign financial statements	<u>97,238</u>
Balance at December 31, 2018	<u><u>\$ (6,862)</u></u>
Balance at January 1, 2017	\$ 154,392
Exchange differences on translation of foreign financial statements	<u>(258,492)</u>
Balance at December 31, 2017	<u><u>\$ (104,100)</u></u>

(j) Earnings per share

The earnings per share were calculated as follows:

	For the years ended December 31	
	2018	2017
Basic earnings per share		
Profit attributable to ordinary stockholders	<u><u>\$ 4,379,754</u></u>	<u><u>3,052,055</u></u>
Weighted average number of ordinary shares outstanding (in thousands)	<u><u>274,367</u></u>	<u><u>274,367</u></u>
Basic earnings per share (in dollars)	<u><u>\$ 15.96</u></u>	<u><u>11.12</u></u>

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	For the years ended December 31	
	2018	2017
Diluted earnings per share		
Profit attributable to ordinary stockholders	<u>\$ 4,379,754</u>	<u>3,052,055</u>
Weighted average number of ordinary shares outstanding (in thousands)	274,367	274,367
Effect on employee's profit sharing bonus (in thousands)	<u>21</u>	<u>24</u>
Weighted average number of ordinary shares outstanding (diluted) (in thousands)	<u>274,388</u>	<u>274,391</u>
Diluted earnings per share (in dollars)	<u>\$ 15.96</u>	<u>11.12</u>

(k) Revenue from contracts with customers

(i) Disaggregation of revenue

	For the years ended December 31, 2018		
	Clothing	Knitted	Total
Main market :			
Americas	\$ 15,883,257	330,902	16,214,159
Europe	1,667,564	2,039	1,669,603
Asia	1,587,926	6,513,706	8,101,632
Middle East	49,121	736,275	785,396
Africa	19,919	455,604	475,523
Others	<u>221,016</u>	<u>90,942</u>	<u>311,958</u>
	<u>\$ 19,428,803</u>	<u>8,129,468</u>	<u>27,558,271</u>

	For the years ended December 31, 2018
Main product :	
Knitted fabrics	\$ 8,113,109
Yarn	16,359
Clothing	<u>19,428,803</u>
	<u>\$ 27,558,271</u>

For details on revenue for the year ended December 31, 2017, please refer to note 6(1).

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(l) Operating revenues

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

	For the years ended December 31, 2017
Sales of merchandise	<u>\$ 24,196,831</u>

For details on revenue for the year ended December 31, 2018, please refer to note 6(k).

(m) Employees' profit sharing 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 then approved at the shareholders' meeting. Qualified employees are entitled to stock and cash distribution of the Company.

For the year ended December 31, 2018 and 2017, the estimated amounts of employee's profit sharing bonus amounted to \$6,000 thousand, which was calculated based on the Company's profit excluding tax as well as employee profit sharing bonus and earnings allocation a minimum of 0.1% as stated under the Company's articles of incorporation. These employee's bonuses were reported under cost of goods sold and operating expenses for the year ended December 31, 2018 and 2017. If there is the change after released financial reporting date in the following year, the difference is treated as a change in accounting estimate, and is charged to profit or loss for 2019 and 2018.

There was no difference between the estimated and distributed employee's profit sharing bonus approved by the BOD for the year ended December 31, 2017, related information can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

(n) Results from non-operating activities

(i) Other income

The Company's other income were as follows:

	For the years ended December 31	
	2018	2017
Interest income-bank deposit	\$ 9,831	58,288
Others	9,708	4,604
	<u>\$ 19,539</u>	<u>62,892</u>

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(ii) Other gains and losses, net

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

	For the years ended December 31	
	2018	2017
Foreign exchange gain (loss)	\$ 200,938	(505,169)
(Loss) gain on transaction for property	(8,419)	816
Others	10,177	28,393
	\$ 202,696	(475,960)

(o) Financial instruments

(i) Credit risk

1) Exposure to credit risk

The carrying amount of financial assets represents the maximum exposed amount to credit risk.

2) Concentration of credit risk

As the Company has numerous clients, does not make concentrated transactions with any single client and scatters the sales region, there is no concentration of credit risk for accounts receivable.

3) Credit risk of accounts receivables

For details on credit risk of notes and accounts receivable, please refer to note 6(b).

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including the estimated interest payments but excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 12 months
December 31, 2018			
Non-derivative financial liabilities			
Accounts and notes payable (related parties included)	\$ 1,631,011	1,631,011	1,631,011
December 31, 2017			
Non-derivative financial liabilities			
Accounts and notes payable (related parties included)	\$ 1,900,564	1,900,564	1,900,564

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The Company is not expecting the cash flows included in the maturity analysis would occur significantly earlier or at significantly different amounts.

(iii) Exchange rate risk

1) Exposure to currency risk

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

	December 31, 2018			December 31, 2017		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
<u>Financial assets</u>						
<u>Monetary items</u>						
USD	\$ 153,287	30.715	4,708,210	142,290	29.76	4,234,550
<u>Financial liabilities</u>						
<u>Monetary items</u>						
USD	30,325	30.715	931,432	37,205	29.76	1,107,221

2) Sensitivity analysis

The Company'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, bank borrowings and accounts payable. A 1% depreciation or appreciation of the TWD against the USD as of December 31, 2018 and 2017 would have increased or decreased the net income after tax by \$30,214 thousand and \$25,957 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 gain (loss) amounted to \$200,938 thousand and (\$505,169) thousand, at the average rates of 30.149 and 30.432 for the year ended December 31, 2018 and 2017, respectively.

(iv) Interest rate analysis

The Company'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.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(v) Fair value

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

(p) Financial risk management

(i) Nature and extent

The Company has exposure to the following risks from its financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note expresses the information of risk exposure and goals, policies and procedures for the Company to measure and manage risks. Please refer to notes in financial statements for further quantitative disclosures.

(ii) Risk management framework

The board of directors is responsible for the supervision of the Company's risk management framework.

The risk management policies are established to identify and analyze the Company's exposure to risks, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aim to develop a disciplines and constructive control environment, in which all employees understand their roles and obligations.

The audit committee of the Company oversees how the management complies in monitoring the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The internal audit sector of the Company reviews the risk management controls and procedure on scheduled and non-scheduled basis, and reports the results to the audit committee.

(iii) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers.

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ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

1) Accounts receivable

Every single client affects the credit risk exposure of the Company, but still, the management should consider the status of its clients, including the industry the client belongs to and the default risk of the country where the client is located. Because the transaction of the Company is not concentrated in one single client for 2018 and 2017, therefore, there is no concentration on credit risk for accounts receivable.

To minimize the risk of accounts receivable, the Company established a risk management procedure relating to the financial condition of the client, credit risk rating, historical transactions inside the Company, and the current economic situation that may affect the clients' ability to pay up the bills. The Company also uses some credit-improved tools such as prepayments and credit insurance in order to reduce specific client's credit risk.

2) Financial investments

The credit risk exposure in the bank deposits, fix income investments and other financial instruments are measured and monitored by the Company's finance department. As the Company deals with the banks and other external parties with good credit standing and financial institutions, corporate organization and government agencies which are graded above investment level, the management believes that the Company does not have any compliance issues, and therefore, there is no significant credit risk.

3) Guarantee

The Company only provide guarantee to wholly owned subsidiaries. The Company did not provide guarantee to any third party as of December 31, 2018 and 2017.

(iv) Liquidity risk

Liquidity risk is the risk that the Company is unable to meet the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as much as possible, that it always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company estimates the cost of products and services based on accounting policy in order to assist in monitoring its cash flow requirements and optimizing its cash return on investments. Generally, the Company ensures that there is sufficient cash to cover expected operating expenditure demand, but excluding potential influence under unexpected extremely condition (i.e. nature disaster). In addition, the total amount of unused credit term as of December 31, 2018 and 2017 amounted to \$4,094,379 thousand and 1,987,976 thousand respectively.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(v) Market risk

Market risk is the risk that comes from changes in market prices such as changes of foreign exchange rates, interest rates and equity prices, impacting the Company's income or the value of financial instruments held by the Company. The objective of market risk management is to manage and control market risk exposures within acceptable range and optimize the return on investments.

The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the board of directors.

1) Exchange rate risk

The Company's exposure to currency risk is on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the Company, primarily the New Taiwan Dollars (NTD). The currencies used in these transactions are denominated in NTD, USD, VND and CNY.

At any point of time, the Company's principle is to regularly hedge using the net value after offsetting assets and liabilities. The choice of hedging exchange rate risk instruments is based on the cost and the period of hedging. The Company mainly hedges its currency risk using the foreign exchange contracts.

2) Interest rate risk

All of the Company's assets and liabilities bear floating interest rates, and thus suffer from cash flow interest rate risk exposure. The detail of floating interest rates of the Company's assets and liabilities are described in note of liquidity risk management.

(q) Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence, and to sustain the future development of the business. The capital includes common stock, capital surplus, retained earnings and other equities. Therefore, the capital management of the Company focuses on ensuring necessary financial resources and increase stockholders' value, examining the capital return periodically. The Company's return on capital as of December 31, 2018 and 2017 were as follows:

	For the years ended December 31	
	2018	2017
Net income	<u>\$ 4,379,754</u>	<u>3,052,055</u>
Total capital	<u>\$ 16,931,030</u>	<u>15,072,246</u>
Return on capital	<u>25.87%</u>	<u>20.25%</u>

The Company does not have any plan of purchasing treasury stock.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(7) Related-party transactions:

(a) Names and relationship with related parties

The followings are entities that have had transactions with related party during the periods covered in the financial statements.

<u>Name of related party</u>	<u>Relationship with the Company</u>
Grand Elite Holdings Inc. (Grand Elite)	Subsidiaries
Eclat Cayman Islands Holdings (Eclat Cayman)	Subsidiaries
Aegis Inc. (Aegis)	Subsidiaries
Eclat Textile (Cambodia) Co., Ltd (Eclat Textile (Cambodia))	Subsidiaries
Unison (Wuxi) Textile and Garment Inc. (Unison)	Subsidiaries
Eclat Textile Co., Ltd (Vietnam) (Eclat Textile (VN))	Subsidiaries
Eclat Fabrics (Vietnam) Co., Ltd. (Fabrics)	Subsidiaries
E-TOP (Vietnam) Co., Ltd. (E-TOP(VN))	Subsidiaries
Colltex Garment MFY Co., Ltd. (VN) (Colltex)	Subsidiaries
Eclat Enterprise Ltd. (Eclat Enterprise)	Subsidiaries
Tai-Yuan Garments Co., Ltd. (TAI-YUAN(VN))	Subsidiaries
E&I Printing Company Limited (E&I Printing)	Associates
Best Information Co., Ltd.(Best)	Associates
Yi Yuan Co., Limited	The entity's chairman is the first immediate family of the chairman of the Company
Eclat Education Foundation	Founded by donation of the Company

(b) Material transactions among related parties

(i) Operating revenue

	<u>For the years ended</u> <u>December 31,</u>	
	<u>2018</u>	<u>2017</u>
Subsidiaries	<u>\$ 13,993</u>	<u>148</u>

Sales term to subsidiaries is the same as general sales. The term for receivables is O/A 30 to 60 days.

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(ii) Purchasing and processing

	For the years ended December 31	
	2018	2017
Subsidiaries — Eclat Textile (VN)	\$ 1,666,482	1,723,922
Subsidiaries — Fabrics	1,648,401	1,522,586
Subsidiaries — Colltex	599,206	499,573
Subsidiaries — E-Top (VN)	669,419	490,278
Subsidiaries — Others	490,810	284,149
Associates	86	141
	<u>\$ 5,074,404</u>	<u>4,520,649</u>

Purchasing price to subsidiaries is the same as to general purchases. The term for payables is O/A 30 to 60 days.

(iii) Receivables from related parties

Account	Types of related parties	December 31, 2018	December 31, 2017
Notes receivable	Associates	\$ 53	-
Notes receivable	Other related parties	-	26
		<u>\$ 53</u>	<u>26</u>

(iv) Payables to related parties

Account	Types of related parties	December 31, 2018	December 31, 2017
Accounts payable-related parties	Subsidiaries-Eclat Textile (VN)	\$ 73,547	165,506
Accounts payable-related parties	Subsidiaries-others	202,473	155,769
Accounts payable-related parties	Associates	98	11
		<u>\$ 276,118</u>	<u>321,286</u>

(v) Guarantees and endorsements

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

Types of related parties	December 31, 2018	December 31, 2017
Subsidiaries-Eclat Cayman	<u>\$ 1,489,678</u>	<u>1,443,360</u>

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(vi) Lease

Types of related parties	For the years ended December 31	
	2018	2017
Associates	\$ 600	600
Other related parties	300	300
	\$ 900	900

The Company charged their rentals based on the local market prices, which are paid monthly.

(vii) Others

	Software Maintenance		Donations	
	For the years ended December 31		For the years ended December 31	
	2018	2017	2018	2017
Associates	\$ 428	352	-	-
Other related parties	-	-	2,000	2,000
	\$ 428	352	2,000	2,000

(c) Key management personnel transactions

Key management personnel compensation comprised:

	For the years ended December 31,	
	2018	2017
Short-term employee benefits	\$ 107,132	97,210

Cars provided to key management personnel:

	December 31, 2018	December 31, 2017
Cost	\$ 28,638	26,484
Numbers	\$ 8	7
Book value	\$ 7,843	8,863

(8) Pledged assets:

The Company's pledged assets are as follows:

Pledged assets	Pledged to secure	December 31, 2018	December 31, 2017
Other financial assets-current	Natural gas security deposit	\$ 2,000	2,000
Land	Medium to long term financing	3,381,772	-
		\$ 3,383,772	2,000

(Continued)

ECLAT TEXTILE CO., LTD.
Notes to the Financial Statements

(9) Commitments and contingencies:

(a) The balance of unused letters of credit of the Company was as follows:

December 31, 2018	December 31, 2017
<u>\$ 78,824</u>	<u>99,784</u>

(b) Contingent liabilities:

The Company served as the guarantor of Eclat Cayman, and the balances of short-term borrowings with the banks were as follows:.

December 31, 2018	December 31, 2017
<u>US\$ 16,500</u>	<u>16,500</u>

(10) Losses due to major disasters:None.

(11) Subsequent events:None.

(12) Other:

The Company's employee benefits, depreciation and amortization expenses, categorized by function, were as follows:

	For the years ended December 31, 2018			For the years ended December 31, 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	401,639	1,028,309	1,429,948	366,162	934,323	1,300,485
Labor and health insurance	33,127	76,261	109,388	31,568	62,673	94,241
Pension	12,323	37,508	49,831	13,741	32,782	46,523
Director's remuneration	-	4,040	4,040	-	4,350	4,350
Others	19,425	43,325	62,750	20,315	39,927	60,242
Depreciation	200,485	60,630	261,115	203,040	64,632	267,672
Amortization	505	9,899	10,404	757	11,321	12,078

The numbers of employees for the year ended December 31, 2018 and 2017 were 1,893 and 1,818, including 7 and 7 non-employee directors as of December 31, 2018 and 2017, respectively.

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ECLAT TEXTILE CO., LTD.

Notes to the Financial Statements

(13) Other disclosures:

(a) Information on significant transactions:

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

(i) Loans 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 (note 1)	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower (note 2)	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
													Item	Value		
01	Eclat Cayman	Fabrics	Other receivables	Yes	371,460 (USD12,000)	368,580 (USD12,000)	215,005 (USD7,000)	2.5%-3.1%	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)
01	Eclat Cayman	Eclat Textile (VN)	Other receivables	Yes	30,955 (USD1,000)	30,715 (USD1,000)	-	-	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)
01	Eclat Cayman	Colltex	Other receivables	Yes	216,685 (USD7,000)	215,005 (USD7,000)	-	-	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)
01	Eclat Cayman	E-TOP (VN)	Other receivables	Yes	263,118 (USD8,500)	261,078 (USD8,500)	-	-	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)
01	Eclat Cayman	Eclat Textile (Cambodia)	Other receivables	Yes	212,042 (USD6,850)	210,398 (USD6,850)	153,575 (USD5,000)	2.9%-3.1%	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)
01	Eclat Cayman	Eclat Enterprise	Other receivables	Yes	30,955 (USD1,000)	30,715 (USD1,000)	19,965 (USD650)	3%	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)
01	Eclat Cayman	TAI- YUAN (VN)	Other receivables	Yes	201,208 (USD6,500)	199,647 (USD6,500)	153,575 (USD5,000)	2.9%-3.1%	2	-	Operating capital	-	-	-	3,127,845 (Note)	3,518,825 (Note)
01	Eclat Cayman	Unison	Other receivables	Yes	101,955 (USD3,500)	-	-	-	2	-	Operating capital	-	-	-	-	-

Note: The total financing amount of Eclat Cayman should not exceed 90% of the net equity of its latest financial statements; individual financing should not exceed 80% of its net equity on its latest financial statements.

Note 1: Approved by BOD.

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

Note 3: The exchange rate as of December 31, 2018 was USD 1 to NTD 30.715.

(ii) Guarantees and endorsements for other parties:

(In thousands of NTD / USD)

No.	Name of guarantor	Counter-party of guarantee and endorsement		Limit on amount of guarantees and endorsements for each enterprise (note 1)	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 (note 2)	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 (note 3)										
00	The Company	Eclat Cayman	2	5,079,309	1,501,318 (USD48,500)	1,489,678	506,798	-	8.80%	8,465,515	Y	N	N

Note 1: Guarantees amount provided to single entity must not exceed 30% of the Company's net value disclosed in the recent financial statements.

Note 2: Total guarantees amount provided must not exceed 50% of the Company's net value disclosed in the recent financial statements.

Note 3: Relationship with the Company:

1. Ordinary business relationship.

2. Subsidiary which own more than 50% by the guarantor.

3. An investee owned more than 50% in total by both the guarantor and its subsidiary.

4. An investee owned more than 90% by the guarantor or its subsidiary.

5. Fulfillment of contractual obligations by providing mutual endorsements and guarantees for peer or joint builders in order to undertake a construction project.

6. An entity that is guaranteed and endorsed by all capital contributing shareholders in proportion to their shareholding percentages.

7. The companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre- construction homes pursuant to the Consumer Protection Act for each other.

Note 4: The exchange rate as of December 31, 2018 was USD 1 to NTD 30.715.

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):None.

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$100 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.

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to the Financial Statements

- (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)	
			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 Textile (VN)	Indirectly held subsidiaries	processing	1,666,482	22.20% (Note)	30 days	(Note 1)	(Note 1)	Accounts payable (73,547)	(4.51)%
Eclat Textile (VN)	The Company	Parent company	(sales)	(1,666,482)	(100.00)%	30 days	(Note 1)	(Note 1)	Accounts receivable 73,547	100.00%
The Company	Fabrics	Indirectly held subsidiaries	purchasing	1,644,944	14.54%	30 days	(Note 1)	(Note 1)	Accounts payable (105,694)	(6.48)%
Fabrics	The Company	Parent company	(sales)	(1,644,944)	(100.00)%	30 days	(Note 1)	(Note 1)	Accounts receivable 105,694	98.40%
The Company	E-TOP (VN)	Indirectly held subsidiaries	processing	669,419	8.92% (Note)	30 days	(Note 1)	(Note 1)	Accounts payable (32,960)	(2.02)%
E-TOP (VN)	The Company	Parent company	(sales)	(669,419)	(100.00)%	30 days	(Note 1)	(Note 1)	Accounts receivable 32,960	77.78%
The Company	Colltex	Indirectly held subsidiaries	processing	599,206	7.98% (Note)	30 days	(Note 1)	(Note 1)	Accounts payable (29,597)	(1.81)%
Colltex	The Company	Parent company	(sales)	(599,206)	(100.00)%	30 days	(Note 1)	(Note 1)	Accounts receivable 29,597	100.00%
The Company	Eclat Textile (Cambodia)	Indirectly held subsidiaries	processing	340,451	4.54% (Note)	30 days	(Note 1)	(Note 1)	Accounts payable (21,015)	(1.29)%
Eclat Textile (Cambodia)	The Company	Parent company	(sales)	(340,451)	(100.00)%	30 days	(Note 1)	(Note 1)	Accounts receivable 21,015	67.86%
The Company	TAI-YUAN (VN)	Indirectly held subsidiaries	processing	150,359	2.04% (Note)	30 days	(Note 1)	(Note 1)	Accounts payable (13,207)	(0.81)%
TAI-YUAN (VN)	The Company	Parent company	(sales)	(150,359)	(83.00)%	30 days	(Note 1)	(Note 1)	Accounts receivable 13,207	75.73%

Note: Percentage on processing expense

Note 1: 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
					Amount	Action taken		
Eclat Cayman	Fabrics	Subsidiary	215,005 (USD7,000)	(Note)	-		-	-
Eclat Cayman	TAI-YUAN (VN)	Subsidiary	153,575 (USD5,500)	(Note)	-		-	-
Eclat Cayman	Eclat Textile (Cambodia)	Investee company	153,575 (USD5,000)	(Note)	-		-	-
Fabrics	The Company	Parent company	105,694 (USD3,441)	19.18	-		-	-

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

Note 1: The exchange rate as of December 31, 2018 is USD 1 to NTD 30.715.

- (ix) Trading in derivative instruments:None.

- (b) Information on investees:

The following is the information on investees for the years ended December 31, 2018 (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 December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value (note)		
The Company	Best	Taiwan	Computer equipment installation, software retailing and international commerce	8,739	8,739	881	44.05%	14,772	4,924	2,168
The Company	Grand Elite	British Virgin Islands	Investments in securities, real estate, and manufacturing industry	432,129 (USD14,069)	432,129 (USD14,069)	35	100.00%	(43,130)	(37,994)	(37,994)
The Company	Eclat Cayman	Cayman Islands	Investments in securities, real estate, and manufacturing industry	3,934,131 (USD128,085)	3,934,131 (USD128,085)	123,759	100.00%	3,889,306	86,687	86,687

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ECLAT TEXTILE CO., LTD.

Notes to the Financial Statements

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of December 31, 2018			Net income (losses) of investee	Share of profits/losses of investee
				December 31, 2018	December 31, 2017	Shares (thousands)	Percentage of ownership	Carrying value (note)		
Grand Elite	Eclat Textile (Cambodia)	Cambodia	Design, manufacture, processing and sale of clothing	245,720 (USD8,000)	245,720 (USD8,000)	8,00	100.00%	(115,777)	(38,134)	(38,134)
Eclat Cayman	Colltex	Vietnam	Design, manufacture, processing and sale of clothing	490,058 (USD15,955)	490,058 (USD15,955)	16,80	100.00%	524,322	27,02	25,594
Eclat Cayman	E-TOP (VN)	Vietnam	Design, manufacture, processing and sale of clothing	1,105,740 (USD36,000)	1,105,740 (USD36,000)	36,00	100.00%	1,115,255	22,29	23,593
Eclat Cayman	Eclat Enterprise	Cambodia	Investments in securities, real estate, and manufacturing industry	30 (USD1)	30 (USD1)		100.00%	(1,266)	(271)	(271)
Eclat Cayman	Eclat Textile (VN)	Vietnam	Design, manufacture, processing and sale of clothing	650,267 (USD21,171)	650,267 (USD21,171)	22,00	100.00%	796,914	122,76	122,767
Eclat Cayman	Fabrics	Vietnam	Knit fabric mills, printing, dyeing and finishing mill	1,228,600 (USD40,000)	1,228,600 (USD40,000)	40,00	100.00%	1,518,543	(23,099)	(21,019)
Eclat Cayman	TAI-YUAN (VN)	Vietnam	Design, manufacture, processing and sale of clothing	212,394 (USD6,915)	212,394 (USD6,915)	6,80	100.00%	(113,306)	(55,622)	(55,902)
Eclat Cayman	E&I Printing	Vietnam	Design, printing, dyeing and finishing mill	30,715 (USD1,000)	30,715 (USD1,000)	1,00	40.00%	11,311	(16,946)	(6,778)

Note: Accumulated translation is included.

Note 1: The exchange rate as of December 31, 2018 is USD 1 to NTD 30.715; the average exchange rate for 2018 is USD 1 to NTD 30.149.

(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 (note)	Accumulated outflow of investment from Taiwan as of January 1, 2018	Investment flows		Accumulated outflow of investment from Taiwan as of December 31, 2018	Net income (losses) of the investee	Percentage of ownership	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Outflow	Inflow						
Unison (Note2)	Design, manufacture, processing and sale of clothing	172,772 (USD5,625)	2	131,337 (USD4,276)	-	-	131,337 (USD4,276)	(2,184)	100.00%	(2,184)	(43,218)	-

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 December 31, 2018 is USD 1 to NTD 30.715; the average exchange rate for 2018 is USD 1 to NTD 30.149.

Note2: Unison can no longer maintain its business in mainland China due to the rising cost of labor, material and supply. Therefore, the BOD of the company approved the dissolution and liquidation of Unison on December 7, 2016..

(ii) Limitation on investment in Mainland China:

Accumulated investment in Mainland China as of December 31, 2018	Investment amounts authorized by investment commission, MOEA	Upper limit on investment
131,337 (USD 4,276 thousand)	131,337 (USD 4,276 thousand)	10,158,618

Note: The exchange rate as of December 31, 2018 is USD 1 to NTD 30.715.

(iii) Significant transactions: None

(14) Segment information:

Please refer to the consolidated financial statements.

6.6 Any financial distress experienced by the Company or its affiliated enterprises and impacts on the Company's financial position in the most recent fiscal year or during the current fiscal year up to the date of publication of the annual report: None.

VII. Review of Financial Status, Financial Performance, and Risk Management

7.1 Analysis of Financial Status:

Unit: NT\$ 1,000

Item \ Year	2017	2018	Variance	
			Amount	Percent
Current assets	9,554,854	11,393,505	1,838,651	-19.24
Property, plant and equipment	9,916,705	10,037,149	120,444	1.21
Intangible assets	24,969	20,547	-4,422	-17.71
Other assets	569,886	689,681	119,795	21.02
Total assets	20,066,414	22,140,882	2,074,468	10.34
Current liabilities	4,856,740	5,194,388	337,648	6.95
Other liabilities	137,428	15,464	-121,964	-88.75
Total liabilities	4,994,168	5,209,852	215,684	4.32
Share capital	2,743,671	2,743,671	0	0.00
Capital surplus	3,769,437	3,769,547	110	0.00
Retained earnings	8,663,238	10,424,674	1,761,436	20.33
Translation adjustment and others	-104,100	-6,862	97,238	-93.41
Total equity	15,072,246	16,931,030	1,858,784	12.33

Explanation of material variation:

For amount variance exceeding NT\$ 10,000 thousand and the percent variance exceeds 20%, the causes are analyzed as follows:

- (1) Other assets: It was mainly due to the start of the third phase of factory expansion plan of Eclat Fabrics Co., Ltd (Vietnam) in 2018, and the equipment prepayment amount was increased.
- (2) Other liabilities: It was mainly due to the increase of the appropriation of defined benefit plan of 2018 was deposited into the pension dedicated account at Bank of Taiwan, and the net present value of a defined benefit liability balance was decreased from the amount in 2017.
- (3) Retained earnings: Since the revenue and profit grow in 2018 and the amount of cash dividend issuance was decreased, the retained earnings were increased.

(4) Accumulated translation adjustment and others: Due to the exchange rate fluctuation, the exchange difference calculated on the foreign operating institution financial statements is significantly reduced.

7.2 Analysis of Financial Performance

Unit: NT\$ 1,000				
Item \ Year	2017	2018	Variance	Percent Variance
Operating revenue, net	24,231,970	27,578,209	3,346,239	13.81
Operating cost	17,565,757	19,630,699	2,064,942	11.76
Gross profit	6,666,213	7,947,510	1,281,297	19.22
Operating expenses	2,467,291	2,642,228	174,937	7.09
Operating profit	4,198,922	5,305,282	1,106,360	26.35
Non-operating income and expenses	-436,304	167,867	604,171	-138.47
Profit before tax from continuing operations	3,762,618	5,473,149	1,710,531	45.46
Income tax expense	694,599	1,091,211	396,612	57.10
Profit after tax from continuing operations	3,068,019	4,381,938	1,313,919	42.83
Loss after tax from discontinued operation	-15,964	-2,184	13,780	-86.32
Net income	3,052,055	4,379,754	1,327,699	43.50
Other comprehensive income (net, after tax)	-251,642	85,407	337,049	-133.94
Total comprehensive income	2,800,413	4,465,161	1,664,748	59.45

- (1) The operating profit, profit before(after) tax from continuing operations, net income and total comprehensive income: Since the revenue of the current year increases significantly and the costs and expenses have been effectively controlled, such that the annual operating profit, profit before(after) tax from continuing operations, net income and total comprehensive income significantly increase from last period.
- (2) Non-operating income and expense: The exchange (loss) gain difference of the two periods was mainly affected by the exchange rate fluctuation.
- (3) Income tax expense: The income tax expense increases mainly due to the increase of the profit before tax from the previous period and the raise of

the income tax rate from 17% to 20% in 2018, such that the estimated income tax expense was increased.

- (4) Loss after tax from discontinued operation: It refers to the investee Unison (Wuxi) Textile Garment Co., Ltd. subject to discontinued operation started the dissolution and liquidation procedure in 2017, and there was difference in the operating loss change of the two periods.
- (5) Other comprehensive income: Increase in other comprehensive income is mainly due to the exchange differences resulting from the translation of foreign operations.

7.3 Analysis of Cash Flow

7.3.1 Liquidity analysis for the last 2 years

Year Item	2017	2018	Percent Variance
Cash flow ratio	58.60	95.44	62.87
Cash flow adequacy ratio	77.91	88.79	13.96
Cash reinvestment ratio	0.11	10.62	9,554.55

For the percent variance exceeds 20%, the causes are analyzed as follows:

(1) Cash flow ratio

This was mainly due to that the 2018 operation was back on track for growth, and the net cash flow generated from operating activities increases significantly from the last period, such that the cash flow ratio was increased.

(2) Cash reinvestment ratio

This is mainly due to the increase of the net cash flow from operating activities from the last period, and the cash dividend distribution amount was decreased from the last period in 2018; therefore, the cash reinvestment ratio was significantly increased from 2017.

7.3.2 Cash liquidity analysis for the next year

Unit: NT\$ 1,000

Cash at the beginning of the period Balance	Expected annual net cash flow from operating activities	Expected annual cash outflows	Cash surplus (Deficiency) amount	Cash deficiency amount remedies	
				Investment plan	Plan for financing activities
2,905,110	3,278,186	4,137,934	2,045,362	—	—

- (1) Operating activities: According to the order acceptance status of the Company up to the printing date of the annual report and the expected operating status for the next year, it is expected that the Company operation will continue to profit such that the net cash from operating activities is increased.
- (2) Investment activities: Due to the 2019 expected payment for the corporate headquarter building construction design fee for the Company, the first payment before the outsourcing of such construction as well as the equipment and construction payment for the Hsic-hou digital printing factory, the expected net cash outflow from investment activities is NT\$ 1,119,896 thousand.
- (3) Financing activities: It is mainly due to the expected cash outflow for issuance of cash dividends at an amount of NT\$ 3,018,038 thousand, such that net cash outflow from financing activities is generated.

Expected cash deficiency amount remedies: None.

7.4 Major Capital Expenditure Items:

Plan items	Actual or expected source of fund	Actual or expected completion date	Fund needed Total	Actual or expected fund utilization status		
				2017	2018	2019
Headquarter building -Land payment	Working capital	2017.12	3,382,772	3,382,772	-	-
Headquarter building - Construction	Working capital and bank loan	2022.02	3,000,000	-	-	811,517
His-chou digital printing plant investment project	Working capital	2019.4	947,379	276,000	363,000	308,379
Eclat Fabrics Co., Ltd (Vietnam) third-phase expansion	Working capital and bank loan	2018.8	438,000 (US15,000)	-	438,000 (US15,000)	-

Note: USD exchange rate: 29.2

Due to the continuous expansion of business scale of the Company, the office space becomes insufficient, and presently, the rented facilities and employee dormitories are spread out at various locations such the management thereof is difficult. Therefore, the Company has determined and established land in Xinzhuang Fuduxin, New Taipei City, as the base for the corporate global logistics headquarters. Presently, the building planning and design are in process, and the construction period is expected to be 2~3 years.

To satisfy the market demands, to increase the product added-value and strengthen the product vertical benefit, the Company plans to invest in a digital printing factory in Taiwan, and the Company has purchased nearby land of Hsichou Plant for construction of factory in November 2017. The Construction equipment have been contracted and purchased consecutively, and it is expected to complete the construction in April 2019 for official operation.

The Company plans to use parts of old facilities of the E-Top (Vietnam) Co., Ltd near the Eclat Fabrics Co., Ltd (Vietnam) perform the Eclat Fabrics Co., Ltd (Vietnam) third-phase expansion investment project in order to satisfy the demands for diverse orders and the goal of shortening product delivery dates. At the end of 2018, relevant equipment has been installed and trial run has been completed.

7.5 Investment Policy in Last Year, Main Causes for Profits or Losses, Improvement Plans and the Investment Plans for the Coming Year:

Unit: NT\$ /US\$1,000

Description Item	Investment Amount	Reinvestment policy	Profit or loss Main reasons	Improvement plan	Investment plan for next year
Best Information Technology Co Ltd.	8,739	Integrate the software and hardware equipment and system maintenance for the Company and investees.	The operation of the present period continues to profit stably.	-	-
ECLAT CAYMAN ISLANDS HOLDINGS (CAYMAN)	3,934,131	To expedite the global garment manufacturing planning, to seek production site with greater cost benefit, the	Since the benefit of economies of scale and production efficiency of the Eclat Textile Co., Ltd (Vietnam),	To enhance the production management and expand the economies of	-

Description Item	Investment Amount	Reinvestment policy	Profit or loss Main reasons	Improvement plan	Investment plan for next year
		Company actively expands the factory establishment in Vietnam, including the garment factories of Eclat Textile Co., Ltd(Vietnam), Colltex Garment Mfy Co., Ltd(Vn), E-Top (Vietnam) Co., Ltd, Tai-Yuan Garments Co., Ltd etc., Eclat Fabrics Co., Ltd (Vietnam) and Eclat printing factory, in order to serve as garment and textile order production sites, thereby increasing product competitiveness.	Colltex Garment Mfy Co., Ltd.(Vn) and E-Top (Vietnam) Co., Ltd have been increased after the factory expansion, the operations of the plants have been stable and profiting. For the Tai-Yuan Garments Co., Ltd., due to the workers' level of skills and production efficiency have not been optimal, such that loss occurs. As for the Eclat Fabrics Co., Ltd (Vietnam), since it is at the early stage of factory expansion, the production efficiency is not yet improved such that loss occurs. In addition, as the Eclat Printing Plant operation has not demonstrated production efficiency	scale, in order to increase the production efficiency, to reduce production cost and to increase the profit.	

Description Item	Investment Amount	Reinvestment policy	Profit or loss Main reasons	Improvement plan	Investment plan for next year
			improvement, loss occurs. Unison(Wuxi) Textile & Garment Co Ltd. is currently in the process of dissolution and liquidation.		
GRAND ELITE HOLDINGS INC.(GRAND ELITE)	432,129	For the purpose of vertical integration of production capability and the increase of overseas garment production sites, the Company indirectly invests in Aegis Inc. and Eclat Textile (Cambodia) Co., Ltd. through GRAND ELITE.	As the workers' skills and production efficiency have been improved at the Eclat Textile (Cambodia) Co., Ltd., the operation of the plant has been stable. Aegis Inc. has completed with the dissolution and liquidation procedures in 2018.	The Company will continue to track costs and strengthen production management in order to increase the production efficiency.	-

7. 6 Analysis of Risk Management:

1. Impact of interest rate, exchange rate fluctuation and inflation condition on the profit/loss of the company and future countermeasures:

(1) Interest rates:

The working capital of the consolidated company mainly comes from the operating cash income and the amount gained from the bank loan. Assuming that the short term outstanding loan balance was NT\$ 1,629,979 thousand at the end of 2018, if the interest rate is increased or decreed by 1%, then under the condition where all other variables remain unchanged, it will cause an increase or decrease of interest expense at an amount of approximately NT\$ 2,005 thousand for the company.

Future countermeasures:

In addition to the improvement in the product development, the consolidated company also executes business expansion and cost control in order to increase the profitability and the own fund such that the loan amount can be reduced and the interest expense be further decreased. Moreover, to reduce the risk of interest rate, the bank loan interest rate is evaluated regularly or irregularly. The company also actively negotiates with banks in order to obtain financing interest rate of greater discount; therefore, the interest rate fluctuations cannot cause major risk to the company.

(2) Regarding the exchange rate fluctuation:

The main income and partial expense of the consolidated company is in USD; therefore, exchange rate fluctuation can still have impact on profit/loss in the foreign currency exchange transactions of the company. At the end of 2018, the USD net asset with exchange rate risk is NTD 148,769,000. If the exchange rate of NTD to USD depreciates or appreciates by 1%, under those conditions where all other factors remain unchanged, then it will cause an increase or decrease of net income after tax of the company by approximately NTD 36,556 thousand.

Future countermeasures:

The consolidated company will timely perform foreign exchange accounts receivable factoring in order to reduce the foreign currency holding position, and will utilize foreign exchange forward as well as hedging process according to the market exchange rate fluctuation in order to reduce the loss caused by the exchange rate fluctuation.

(3) Regarding the inflation: Up to the printing date of the annual report, the impact of inflation on the company is not significant. However, in view of the uncertainty of the global economic situation, the company cannot guarantee whether the future inflation or deflation can cause major changes, impact consumer confidence or reduce consumers' purchase intention, leading to major adverse impacts on the business operation result of the company.

2. Policies on engaging in high risk, high leverage investments, loaning funds to others, endorsement and guarantee as well as derivative transactions, main causes of profit and loss as well as future countermeasures:

The company does not engage in the investment action involving high risk or high leverage investments. The company provides endorsements and guarantees to subsidiaries, and the purpose is mainly

for the fund financing needs of each re-investment company in order to increase the flexibility in the utilization of the operating capital. Presently, the payment of interests and debt repayment of each re-investment company are normal such that there is no significant risk on the company.

3. Future R&D projects and expected investment in R&D budget:

(1) Innovative textile development project: Multi-functional textiles equipped with aesthetics, performance, durability and safety, including the factors of raw material, production technology and auxiliary etc., integration of overall industrial technologies or cross-industry alliance in order to achieve the goal established. The five main focuses for the product research and development of Eclat are environmental-friendliness, comfort, safety, health and appealing, which are also the key demands of global sports brands on products in each quarter

Environmental protection: To implement the company's environmental policy of "Reduce our impact on the environment", during the production process, the company uses low-pollution or renewable objects or energies as much as possible in order to achieve continuous improvement through the environmental management system. Each year, through the certifications of Bluesign® and ISO 14001, the company ensures the production factory site properly fulfills the responsibility on the environmental protection. In addition, Eclat Da-Yuan dye house has participated in the 2017 manufacturing industry energy management demonstrative guidance project of the Industrial Development Bureau, MOEA, in order to construct the ISO 50001 energy management system. In addition, the Company also successfully reduces the energy use through change of corporate energy strategy. The goal of 10% reduction of energy consumption by 2020 originally established had been achieved in 2016, and the total energy use reduction achieved 27.95%. In 2017, the Company continued to implement the plans of replacement of light fixtures and equipment update etc. in order to management the use of energy.

Comfort: The Company mainly focuses on lightweight, quick dry, comfort textile by using innovative yarn and knitting construction in order to increase the high moisture absorbing, moisture guiding characteristics of fabrics. The application of

fiber structure can affect the functional outcome of moisture guiding for fast drying, breathable and lightweight etc. The development is expected to complete in July 2019.

Health : Through cross-industry integration, biomimetic functional fibers are used as the main ingredient in conjunction with skin-friendly yarns in order to create new textile structure, thereby providing fabrics with different characteristics, such that multi-purpose of style design can be increased. The functionality provided includes the thermal regulating, biodegradable, anti-electrostatic and suppression of odor. The development is expected to be completed in December 2019.

Appealing: To satisfy the consumers' demands for style and variety of functional clothing, the Company utilizes the engineer jacquard technology to achieve matching of patterns and structure design, along with the integration of natural feeling of special yarns developed by the yarn factory, thereby providing diverse pattern and touch feeling textile. The development is expected to be completed in November 2019.

Safety: Through the integration of light reflectiveness with the pattern printing technology application, cross-industry technical cooperation, revolutionary reflective fibers are developed, which is particularly designed for outdoor sports. It is a functional fabric incorporating the consideration of safety and comfort along with the application of colors and patterns, thereby the appealing and fashion style can be achieved on top of the safety protection function for functional clothing. The product development is expected to be completed in September 2019.

(2) High performance textiles development project:

- a. Functional textiles with high moisture guiding and high moisture absorbing: The Company jointly develops the hydrophilic yarns with Industrial Technology Research Institute (ITRI) in order to shorten the moisture management time of fabrics, thereby maintaining a dry comfort to the skin. In addition, with the difference in the yarn denier number and knit structure in layers, moisture can be guided in an inside-out, such that the drying speed can be increased. The development is expected to be completed in September 2019.
- b. Versatility and universality of functional fabrics: To satisfy the global consumer market demand for fashion of functional clothing, the

variations of functional fabrics in terms of touch-feeling, appearance and stiffness become broader. With the integration of development of new yarn and technology of engineer jacquard, the variety of patterns and the formability of functional fabrics are increased. Through processing, different touch-feel can be created and the stereotype of artificial fabrics can be reduced. Therefore, designers are able to achieve greater application for style designs. The development is expected to be completed in September 2019.

In 2019, the Company implements the functional fabric and garment development project, and it is expected to invest an amount of NT\$ 140 million as the budget for the product development and promotion.

4. Impacts of domestic/foreign important policies and changes of laws on the financial business of the Company and countermeasures:

Impacts	(1) The contents of various free trade agreements on regional economy or bilateral relationship may have impacts on the export market competition, production site export tariff etc. of the company, such as FTA, AGOA. (2) The amendments on the laws related to human rights, basic wage, pollution control etc. made by the local government of the production site can impact production cost. (3) Changes on the imported textile quality certification standard in the export market can cause improvement of the processing raw materials and manufacturing technologies of manufacturers.
Countermeasures	(1) Regarding the information on the changes in domestic/foreign important policies and laws, the company has established a dedicated unit in charge of timely collect and summarizes responsive solutions in order to provide such solutions to the management level for decision-making. (2) All business units and production sites of the company comply with various regulations of local and external laws.

5. Impacts of changes in technology and industry on the financial business of the Company and countermeasures:

Impacts	(1) In terms of the raw materials, changes in technologies can allow the terminal products to have broader applications. (2) In terms of the manufacturing, changes in technologies can improve textile manufacturing as well as dyeing equipment and technology such that the production capacity and energy saving of the company can be further improved. (3) Garment manufacturing has a high labor reliance percentage. The impact of technology change is mainly on the utilization of information equipment, as well as the management tools and technologies for enhancing the industrial engineering.
Countermeasures	(1) Engage in joint development of customized raw materials and equipment with raw material suppliers and manufacturing process equipment suppliers in order to control the manufacturing know-how. (2) Utilize information technology to continuously improve ERP system and to increase management performance.

6. Impacts of change of cooperate image on the cooperate crisis management and countermeasures:

Impacts	Since the establishment of the company, the company has valued integrity as the cornerstone with the commitment in providing services and products of excellent quality to customers in order to create the greatest value for customers, employees and shareholders. Up to the present day, the company has not faced any cooperate operational crisis caused by change of cooperate image. The Company honorably receives the certification
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	of “Sports Enterprise” issued by the Sports Administration, MOE, and ranked No. 24 enterprise among Top 300 enterprises in Asia by the Nikkei.
Countermeasures	(1) For any unjust and non-objective reports on the company reported by the media, the company will provide clarification immediately. If it is considered to be significant information, public announcement will be made according to the law immediately. (2) The company values the relationship with its customers, suppliers and investors. For the corporate governance, the company upholds the principle of transparent and open information in order to establish proper image of the company.

7. Expected benefit, possible risk and countermeasure for merger:

Expected benefit	(1) Expand production scale, exploit the benefits of economies of scale. (2) Promptly establish own production capacity, actively seize market business opportunities.
Possible risk	(1) Whether the managing team, system and culture can swiftly accept and adopt to the merger. (2) Whether there is an error in the prior assessment due to insufficient information or experience. (3) Operation performance not reaching the expected level.
Countermeasures	(1) To allow the merger to achieve synergy, before the merger, the reserve management team shall establish the plan for system and culture incorporation in order to reduce the mutual fusion time. (2) Careful selection in subject matter for merger, actively consult professional institutions of accountants and attorneys etc. in order to

	prevent erroneous information or insufficient experience.
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8. Expected benefit, possible risk and countermeasure for expansion of facilities:

Expected benefit	(1) Expand production scale, exploit the benefit of economies of scale. (2) Replacement of obsolete equipment in order to increase production performance.
Possible risk	(1) Whether financial planning is appropriate. (2) Operation performance not reaching the expected level
Countermeasures	(1) Establish sufficient and proper financial planning in order to prevent impacts on the operating capital. (2) The three aspects of expansion of business, manufacturing of niche products, establishment of own production capacity shall cooperate with each other in order to achieve the operational growth target, strengthen the production technical team of the company and protect the manufacturing process technologies for niche products in order to maintain cooperate competitiveness.

9. Possible risks that may cause when centralizing the purchases and sales and the countermeasures.

The product sales of the current session of the consolidated company are mainly centralized at the regions of America and Asia. The customers of the product sales are not overly centralized, and the sales amount of one single customer is not accounted for more than 10% of the consolidated revenue total amount of the company as much as possible. In addition, for the incoming material supplier, the largest raw yarn and garment fabric incoming material supplier is accounted for less than 10% of the total consolidated incoming material amount of the company. During the material incoming, the company evaluates the supply quality, price of suppliers and also considers the market status in order to determine the incoming material suppliers. In view of the above, there are no possible

risks for the company caused by overly centralized material incoming or product sales.

10. Impacts, risks and countermeasure of directors, supervisors or major shareholders with shareholding percentage exceeding 10%, large equity transfer or change to the company: Not applicable.

11. Impacts, risks and countermeasure of change in management rights: Not applicable.

12. Where any director, supervisor, General Manager, substantial person in charge, major shareholder with shareholding percentage exceeding 10% and affiliate of the company has received any affirmative ruling or is involved in any pending major litigation, non-contentious case or administrative dispute event, and the result thereof may have major impacts on the shareholders' rights or stock price. The relevant dispute facts, subject matter amount, litigation starting date, main parties involving in the litigation and the handling status up to the printing date of annual report: Not applicable.

13. Other significant risks and countermeasures: The Company assesses the information security risk as described in the following:

Possible risk	(1) Resigned employees or employees on leave without pay. (2) Unauthorized users. (3) Hacker. (4) Server security vulnerability. (5) Data storage device damaged. (6) Server room disaster. (7) Network disconnection. (8) Failure to comply with standard operations
Countermeasures	(1) Stop the user accounts for resigned employees or employees on leave without pay according to standard operations. Prevent unauthorized users from logging into the company domain for illegal system operation. Domain controller force users to update passwords periodically. (2) Each system users shall apply for authority according to regulations. Unauthorized

	electronic device is not allowed connecting onto the intranet of the company. (3) The Company is established with firewall and has constructed intrusion detection, virus protection system in order to prevent hackers from intruding the system and data stealing. (4) The Company has installed servers with security update, and they are able to update automatically as well as dispatch latest security update to each server and computer. (5) The Company has installed backup mechanisms in the IDC server room of Changhwa Telecom such that data storage and servers have backups. (6) The server room of the Company is installed with environmental control equipment, such that in case of power outage, temperature abnormality, it is able to automatically and timely inform the designated personnel. In addition, the server room is installed with gas-type fire extinguishers in order to facilitate the emergency handling in case of fire. (7) There are backup lines solution for company network environment, one line segment is broken, and the backup line can be continued. (8) The internal audit department and external KPMG perform audit on the network and information security of the IT department semi-annually.
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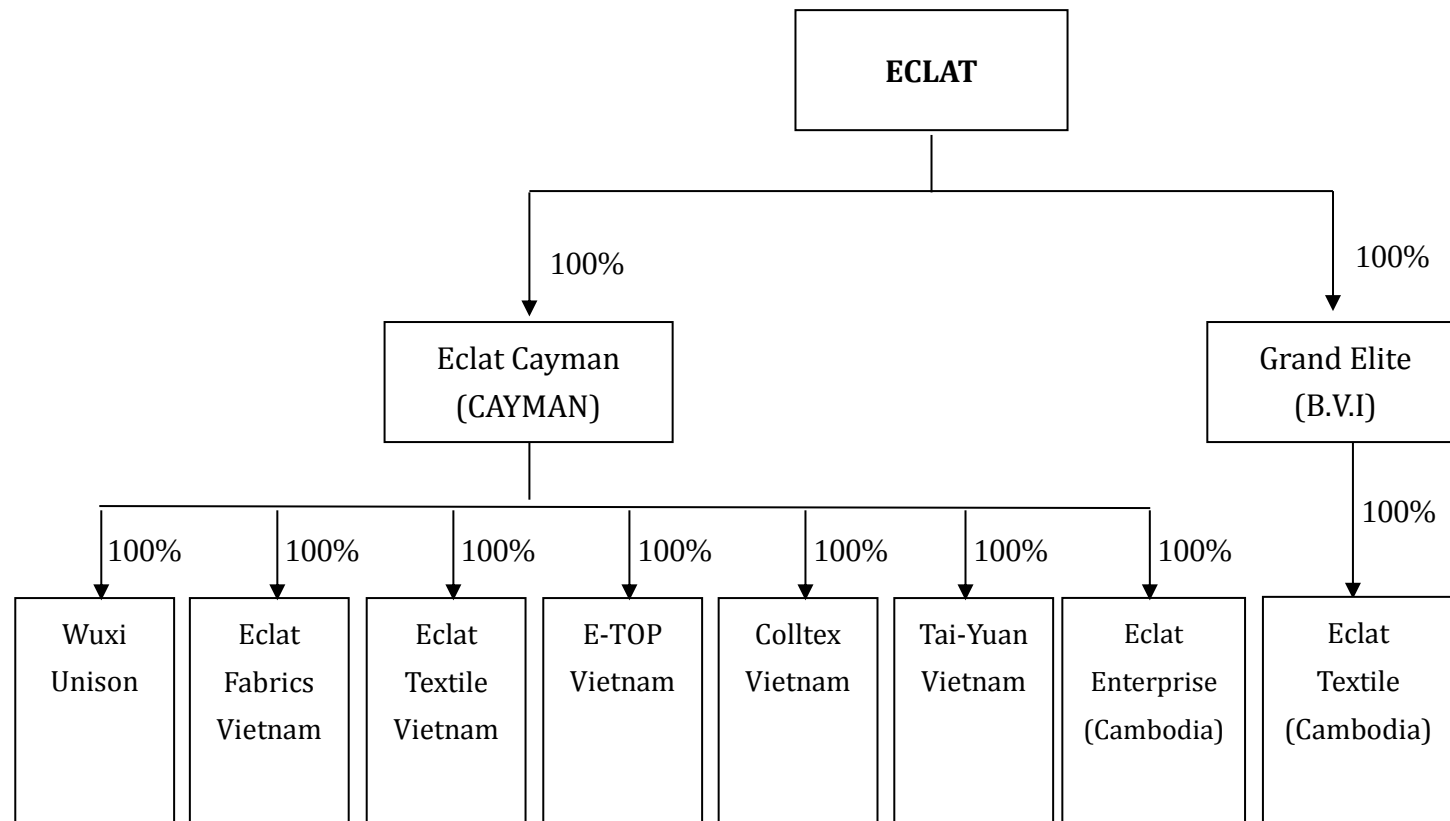
7.7 Other important Items: None.

VIII.Special Disclosure

8.1. Summary of Affiliated Companies :

8.1.1. Consolidated Business Report of the Subsidiary

1.Subsidiary Chart :



2.Subsidiaries Profile

Unit:NT\$1000/USD\$1000

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
Grand Elite Holdings Inc.	1997.12.08	Palm Grove House, P.O. Box 438,Roadtown,Tortola British Virgin Islands	USD14,069	Investments in securities, real estate, and manufacturing industry.
Eclat Cayman Islands Holdings	1997.12.03	Po Box 613,3 TH Floor, Harbour Centre, George Town,Grand Cayman,Cayman Islands.	USD123,759	Investments in securities, real estate, and manufacturing industry.
Unison (Wuxi) Textile and Garment Inc. (Note)	1998.04.16	25, Chun Xiang Road, Dongting Town, Xishan Distric, Wuxi, Jiangsu, 214010 China	USD5,625	Design, manufacture, processing and sale of clothing.
Eclat Textile Co., Ltd (Vietnam)	2006.02.15	Nhon Trach 2 IZ, Nhon Trach District, Dong Nai province, Vietnam	USD22,000	Design, manufacture, processing and sale of clothing.
Eclat Fabrics (Vietnam) Co., Ltd	2007.11.29	My Xuan A2 Industrial Zone, My Xuan Ward, Phu My Town, Ba Ria Vung Tau Province, Vietnam	USD40,000	Knit fabrics mill, printing, dyeing and finishing mill.
Colltex Garment Mfy Co., Ltd. (VN)	2010.11.29	Lot 28 Road No.7 Trang Bang Industrial Park An Tinh Village Trang Bang District Tay Ninh Province Vietnam	USD16,800	Design, manufacture, processing and sale of clothing.

Company	Date of Incorporation	Place of Registration	Paid-in Capital	Business Activities
E-TOP (Vietnam) Co., Ltd	2010.10.20	Lot VII-2, My Xuan A2 Industrial Park Zone, My Xuan Ward, Phu My Town, Ba Ria – Vung Tau Province, Vietnam Lot IX-1; IX-2; IX-3; IX-4, My Xuan B1 Tien Hung Industrial Zone, My Xuan Ward, Phu My Town, Ba Ria – Vung Tau Province, Vietnam	USD36,000	Design, manufacture, processing and sale of clothing.
Eclat Enterprise Ltd	2012.03.12	PLOEUV LOUM CHOL WAT ANGTRAKET PHUM ANGTAKEAT, SANGKAT KANTOUK, KHAN PORSENCHEY PHNOM PENH	USD1	Investments in securities, real estate, and manufacturing industry.
Eclat Textile (Cambodia) Co.,Ltd	2012.09.05	PLOEUV LOUM CHOL WAT ANGTRAKET PHUM ANGTAKEAT, SANGKAT KANTOUK, KHAN PORSENCHEY PHNOM PENH	USD8,000	Design, manufacture, processing and sale of clothing.
Tai-Yuan Garments Co., Ltd	2013.09.01	Lot LE11 and LE12, Xuyen A Industrial Park, My Hanh Bac Commune, Duc Hoa District, Long An Province.	USD6,800	Design, manufacture, processing and sale of clothing.

The exchange rate as of December 31, 2018 was 30.715.

3.Shareholders and Its Subsidiaries with Deemed Control and Subordination: None.

4. Status of Business Allocation Among Affiliated company:

A. The Company indirectly invests in the following companies through Grand Elite Holdings Inc.:

- * Eclat Textile (Cambodia) Co., Ltd.: Overseas production site for the garment orders of the Company.

B. The Company indirectly invests in the following companies through Eclat Cayman Islands Holdings:

- * Eclat Textile Co., Ltd. (Vietnam), Colltex Garment Mfy Co., Ltd.(Vn), E-Top (Vietnam) Co., Ltd., Tai-Yuan Garments Co., Ltd. and Unison (Wuxi) Textile & Garment Co Ltd. (under dissolution and liquidation process): Overseas production sites for garment orders of the Company.

- * Eclat Fabrics (Vietnam) Co., Ltd.: a dyeing and knitting factory in Vietnam that cooperates with the Vietnam garment factory in order to allow the company to become an all-in-one manufacturer with the vertical integration from the manufacturing processes of knitting, dyeing and garment production, such that a complete service can be offered to customers at once.

- * Eclat Enterprise Ltd.: Responsible for the asset management for the Company's investment in the region of Cambodia.

5.Information of Directors, Supervisors, and General Managers of the affiliates

Unit : Share ; %

Company Name	Position (Note1)	Name / Representative	Shareholding (Note2) (Note3)	
			Share	Percentage
Grand Elite Holdings Inc.	Director	Hsien-Chin Tsai	-	-
	Director	Li-Chen Wang	-	-
	Director	Jen-Chieh Lo	-	-
Eclat Cayman Islands Holdings	Director	Hsien-Chin Tsai	-	-
	Director	Li-Chen Wang	-	-
	Director	Jen-Chieh Lo	-	-
Unison (Wuxi) Textile and Garment Inc.	Chairman	Cheng-Hai Hung	-	-
	Director	Ho-Kuan Shenh	-	-
	Director	Hsien-Chin Tsai	--	--
	Supervisor	Jen-Chieh Lo		
Eclat Textile Co., Ltd (Vietnam)	Chairman	Cheng-Hai Hung	-	-
	Director	Kun-Tang Chen	-	-
	Director	Jen-Chieh Lo	-	-
	Director	Hsu, Heng-Wei	-	-
	Director	Shu-Wen Wang	-	--
Eclat Fabrics (Vietnam) Co., Ltd	Chairman	Cheng-Hai Hung	-	-
	Director	Hsien-Chin Tsai	-	-
	Director	Kun-Tang Chen	-	-
	Director	Jen-Chieh Lo	-	-
	Director	Li-Chen Wang	-	-
	Director	Shu-Wen Wang	-	-

Company Name	Position (Note1)	Name / Representative	Shareholding (Note2) (Note3)	
			Share	Percentage
Colltex Garment Mfy Co., Ltd. (VN)	Chairman	Cheng-Hai Hung	-	-
	Director	Kun-Tang Chen	-	-
	Director	Jen-Chieh Lo	-	-
E-TOP (Vietnam) Co., Ltd	Chairman	Cheng-Hai Hung	-	-
	Director	Kun-Tang Chen	-	-
	Director	Jen-Chieh Lo	-	-
Eclat Enterprise Ltd	Chairman	Cheng-Hai Hung	-	-
	Director	Kun-Tang Chen	-	-
	Director	Jen-Chieh Lo	-	-
Eclat Textile (Cambodia) Co., Ltd	Chairman	Cheng-Hai Hung	-	-
	Director	Kun-Tang Chen	-	-
	Director	Jen-Chieh Lo	-	-
Tai-Yuan Garments Co., Ltd	Chairman	Cheng-Hai Hung	-	-
	Director	Kun-Tang Chen	-	-
	Director	Jen-Chieh Lo	-	-

Note 1: If an affiliate is a foreign company, equivalent job positions thereof are listed.

Note 2: If an investee is a corporate limited by shares, please indicate the number of shares and shareholding percentage.

For others, please indicate the capital contribution amount and capital contribution percentage with notes.

Note 3: When a director or supervisor is a corporate, please further disclose relevant information of its representative.

6.Operational Highlights of Subsidiaries

Unit : NT\$ 1,000, except EPS (NT\$)

Company	Capital Stock	Assets	Liabilities	Equity	Revenues	Operating Income	Net Income	EPS
Eclat Cayman Islands Holdings	3,801,258	4,417,554	507,750	3,909,804	0	-543	86,687	-
Grand Elite Holdings Inc.	432,129	-40,421	0	-40,421	0	-121	-37,994	-
Unison (Wuxi) Textile And Garment Inc.	172,772	11,242	54,488	-43,247	0	-2,231	-2,184	-
Eclat Textile Co., Ltd (Vietnam)	675,730	946,513	149,613	796,901	1,668,114	131,450	122,767	-
Eclat Fabrics (Vietnam) Co., Ltd	1,228,600	2,635,654	1,119,685	1,515,970	1,681,259	1,869	-23,099	-
Colltex Garment Mfy Co., Ltd.	516,012	574,678	65,362	509,316	600,297	30,390	27,027	-
E-Top (Vietnam) Co., Ltd	1,105,740	1,212,321	96,414	1,115,907	682,634	34,249	22,297	-
Eclat Enterprise ,Ltd	31	29,609	30,869	-1,259	603	211	-271	-
Eclat Textile (Cambodia) Co., Ltd	245,720	316,518	432,314	-115,796	338,151	-34,249	-38,134	-
Tai-Yuan Garments Co., Ltd	208,862	243,140	367,106	-123,966	185,115	-46,460	-55,622	-

The exchange rate as of December 31, 2018 was 1:30.715; the average exchange rate for 2018 was 1:30.149

8.1.2. Consolidated Financial Statements of Subsidiaries and Affiliation Reports
Representation Letter

Representation Letter

Our Company hereby declares that the companies required to be incorporated into the preparation of the consolidated financial statement of the affiliates according to the “Criteria Governing Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises” are identical to the companies required to be incorporated into the preparation of the consolidated financial statement of affiliates and parent company according to the “International Financial Reporting Standards 10 (IFRS 10)” approved by the Financial Supervisory Commission for the period from January 1, 2018 to December 31, 2018; in addition, relevant information required to be disclosed in the consolidated financial statement of the affiliates has been disclosed completely in the consolidated financial statement of affiliates and parent company. Accordingly, no separate consolidated financial statement of the affiliates is further provided.

Declared by

Company Name: Eclat Textile Co., Ltd.

Chairman: Cheng-Hai Hung

Date: March 14, 2019

8.1.3. Consolidated Financial Statements of Affiliates and Affiliation Reports
Representation Letter: Not available.

- 8.2. Private Placement Securities in the Most Recent Years and as of the Date of this Annual Report: None.
- 8.3. Securities of the Company Held by or Disposed of by Subsidiaries in the Most Recent year and as of the Date of this Annual Report: None.
- 8.4. Other Necessary Supplement: None.
- 8.5. Any of the Situations Listed in Article 36, Paragraph 3, Subparagraph 2 of the Securities and Exchange Act, Which Might Materially Affect Shareholders' Equity or the Price of the Company's Securities, Has Occurred during the Most Recent Fiscal Year or during the Current Fiscal Year Up to the Date of Publication of the Annual Report: None.

Eclat Textile Co., Ltd.

Chairman : Cheng-Hai, Hung