Stock Code:1477

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

MAKALOT INDUSTRIAL CO., LTD.
AND SUBSIDIARIES

Consolidated Financial Statements

With Independent Auditors' Review Report
For the Six Months Ended June 30, 2018 and 2017

Address: 8F., No. 550, Sec. 4, Zhongxiao E. Rd., Taipei City
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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.

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Independent Auditors' Review Report

To the Board of Directors
Makalot Industrial Co., Ltd.:

Introduction

We have reviewed the accompanying consolidated balance sheets of Makalot Industrial Co., Ltd. (the "Company") and its subsidiaries (together referred to as the "Group") of June 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2018 and 2017, as well as the changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect total assets amounting to $3,028,096 thousand and $3,083,866 thousand, constituting 22.11% and 23.30% of consolidated total assets as of June 30, 2018 and 2017, respectively, total liabilities amounting to $1,376,679 thousand and $1,276,772 thousand, constituting 23.64% and 22.91% of consolidated total liabilities as of June 30, 2018 and 2017, respectively, total comprehensive income (loss) amounting to $76,732 thousand, $(12,972) thousand, $(11,200) thousand and $(92,069) thousand, constituting 19.71%, (5.50)%, (1.78)% and (27.97)% of consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2018 and 2017, respectively, and total net income (loss) amounting to $29,048 thousand, $(4,635) thousand, $(38,094) thousand and $154 thousand, constituting 12.08%, (2.20)%, (6.86)% and 0.03% of consolidated total net income (loss) for the three months and six months ended June 30, 2018 and 2017, respectively.

Furthermore, as stated in Note 6(f), investments under equity method of the Group amounting to $156,460 thousand and $179,025 thousand as of June 30, 2018 and 2017, respectively, and the share of loss of investments under equity method from these investee companies amounting to $(3,994) thousand, $(7,935) thousand, $(4,373) thousand and $(15,108) thousand for the three months and six months ended June 30, 2018 and 2017, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

Qualified Conclusion

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of Makalot Industrial Co., Ltd. and its subsidiaries as of June 30, 2018 and 2017, and of its consolidated financial performance for the three months and six months ended June 30, 2018 and 2017, as well as its consolidated cash flows for the six months ended June 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

The engagement partners on the reviews resulting in this independent auditors' review report are Chi-Lung Yu and Heng-Shen Lin.

KPMG

Taipei, Taiwan (Republic of China)
August 8, 2018

Notes to Readers

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

The independent auditors' review 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 and Report Originally Issued in Chinese.)

Reviewed only, not audited in accordance with generally accepted auditing standards as of June 30, 2018 and 2017

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2018, December 31, 2017, and June 30, 2017

(Expressed in thousands of New Taiwan Dollars)

		June 30, 2018		December 31, 2017		June 30, 2017	
	Assets	Amount	%	Amount	%	Amount	%
	Current assets:						
1100	Cash and cash equivalents (notes 6(a)(t))	$ 1,687,249	12	1,559,067	12	1,618,430	12
1110	Financial assets at fair value though profit or loss—current (notes 6(b)(t))	67,116	-	62,748	-	61,572	-
1170	Accounts receivable, net (notes 6(c)(t))	728,636	6	700,771	6	457,888	3
1310	Inventories, manufacturing (note 6(d))	3,294,291	24	2,558,414	20	3,276,436	25
1476	Other financial assets—current (notes 6(c)(t) and 7)	2,207,843	16	2,083,238	17	2,083,236	16
1479	Other current—others (note 6(h))	359,268	3	261,126	2	330,065	3
		8,344,403	61	7,225,364	57	7,827,627	59
	Non-current assets:						
1550	Investment under equity method (note 6(e))	156,460	1	177,696	2	179,025	1
1600	Property, plant and equipment (notes 6(f) and 8)	4,729,825	35	4,750,341	38	4,830,070	37
1821	Intangible assets (note 6(g))	16,598	-	21,317	-	29,550	-
1840	Deferred income tax assets	129,996	1	128,425	1	131,585	1
1900	Other non-current assets (notes 6(h)(t) and 8)	316,050	2	263,785	2	235,042	2
		5,348,929	39	5,341,564	43	5,405,272	41
	Total assets	$ 13,693,332	100	12,566,928	100	13,232,899	100

		June 30, 2018		December 31, 2017		June 30, 2017	
	Liabilities and Equity	Amount	%	Amount	%	Amount	%
	Current liabilities:						
2100	Short-term borrowings (notes 6(i)(t))	$ 632,570	5	277,586	2	334,449	3
2150	Notes payable (note 6(t))	614	-	2,546	-	10,656	-
2170	Accounts payable (note 6(t))	1,885,575	14	1,670,192	13	1,783,720	13
2180	Accounts payable—related parties (notes 6(t) and 7)	81,050	1	53,921	1	34,350	-
2209	Other payables (note 6(t))	1,170,191	9	1,351,703	11	1,128,144	9
2216	Dividends payable (note 6(t))	1,256,323	9	-	-	1,390,829	11
2230	Current tax liabilities	201,905	1	143,673	1	162,636	1
2251	Current provisions for employee benefits	37,206	-	35,762	-	35,497	-
2259	Current other provision (note 6(k))	282,034	2	262,121	2	303,008	2
2321	Current portion of convertible bond payable (notes 6(j)(w))	-	-	-	-	135,288	1
2399	Other current liabilities—others	18,940	-	8,996	-	16,043	-
		5,566,408	41	3,806,500	30	5,334,620	40
	Non-Current liabilities:						
2570	Deferred income tax liabilities	10,135	-	13,034	-	10,963	-
2640	Accrued pension liability	243,062	2	239,136	2	220,849	2
2670	Other non-current liabilities	4,062	-	3,877	-	7,536	-
		257,259	2	256,047	2	239,348	2
	Total liabilities	5,823,667	43	4,062,547	32	5,573,968	42
	Equity (note 6(o))						
3100	Ordinary shares	2,093,872	15	2,093,872	17	2,072,296	15
3200	Capital surplus	3,356,329	24	3,544,777	28	3,430,852	26
3300	Retained earnings	2,360,980	17	2,874,359	23	2,108,197	16
3410	Exchange differences on translation of financial statements of foreign operations	(43,368)	-	(114,601)	(1)	(53,840)	-
	Total equity attributable to owners of parent:	7,767,813	56	8,398,407	67	7,557,505	57
36XX	Non-controlling interests	101,852	1	105,974	1	101,426	1
	Total equity	7,869,665	57	8,504,381	68	7,658,931	58
	Total liabilities and equity	$ 13,693,332	100	12,566,928	100	13,232,899	100

See accompanying notes to financial statements.

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

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

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars , except for earnings per share)

		For the three months ended June 30				For the six months ended June 30			
		2018		2017		2018		2017	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Operating revenue, net (notes 6(q))	$ 5,065,240	100	4,686,991	100	10,196,328	100	10,218,193	100
5000	Operating costs (notes 6(d)(l)(m), 7 and 12)	4,083,700	81	3,809,121	81	8,198,069	80	8,293,684	81
	Gross profit from operations	981,540	19	877,870	19	1,998,259	20	1,924,509	19
	Operating expenses (notes 6(l)(m)(r) and 12):								
6100	Selling expenses	348,848	7	311,957	7	666,281	7	641,959	7
6200	Administrative expenses	287,039	5	254,306	5	569,874	6	533,440	5
	Total operating expenses	635,887	12	566,263	12	1,236,155	13	1,175,399	12
	Net operating income	345,653	7	311,607	7	762,104	7	749,110	7
	Non-operating income and expenses:								
7010	Other income (note 6(s))	10,026	-	9,977	-	19,289	-	18,627	-
7020	Other gains and losses (notes 6(s)(t))	(17,216)	(1)	(32,376)	(1)	(17,556)	-	(69,294)	(1)
7050	Finance costs (notes 6(j)(s))	(15,650)	-	(10,750)	-	(33,993)	-	(26,290)	-
7070	Share of loss of investments under equity method	(3,994)	-	(7,935)	-	(4,373)	-	(15,108)	-
	Total non-operating income and expenses	(26,834)	(1)	(41,084)	(1)	(36,633)	-	(92,065)	(1)
7900	Profit before income tax	318,819	6	270,523	6	725,471	7	657,045	6
7950	Less: income tax expenses (note 6(n))	78,259	1	59,853	1	170,010	2	133,390	1
	Profit	240,560	5	210,670	5	555,461	5	523,655	5
8300	Other comprehensive income:								
8310	Items that will not be reclassified subsequently to profit or loss								
8311	Remeasurements of net defined benefit plans	3,169	-	-	-	3,316	-	1,080	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	(398)	-
		3,169	-	-	-	3,316	-	682	-
8360	Items that will be reclassified subsequently to profit or loss								
8361	Exchange differences on translation of foreign financial statements	145,590	3	25,233	-	71,420	1	(195,195)	(2)
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-	-	-	-	-
		145,590	3	25,233	-	71,420	1	(195,195)	(2)
8300	Other comprehensive income, net	148,759	3	25,233	-	74,736	1	(194,513)	(2)
	Comprehensive income	$ 389,319	8	235,903	5	630,197	6	329,142	3
	Profit attributable to:								
	Owners of parent	$ 231,347	5	203,195	5	551,180	5	517,612	5
	Non-controlling interests	9,213	-	7,475	-	4,281	-	6,043	-
		$ 240,560	5	210,670	5	555,461	5	523,655	5
	Comprehensive income attributable to:								
8710	Owners of parent	$ 379,862	8	228,062	5	625,729	6	324,548	3
8720	Non-controlling interests	9,457	-	7,841	-	4,468	-	4,594	-
		$ 389,319	8	235,903	5	630,197	6	329,142	3
	Earnings per share (note 6(p))								
9750	Basic earnings per share (NT dollars)	$ 1.10		0.98		2.63		2.50	
9850	Diluted earnings per share (NT dollars)	$ 1.10		0.97		2.62		2.47	

See accompanying notes to financial statements.

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Reviewed only, not audited in accordance with generally accepted auditing standards

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

	Equity attributable to owners of parent									
			Retained earnings				Other equity interest			
	Ordinary shares	Capital surplus	Legal reserve	Special reserve	Unappropriated retained earnings	Total	Exchange differences on translation of foreign financial statements	Total equity attributable to owners of parent	Non-controlling interests	Total equity
Balance at January 1, 2017	$ 2,067,349	3,403,403	1,394,011	-	1,586,709	2,980,720	139,918	8,591,390	136,501	8,727,891
Profit	-	-	-	-	517,612	517,612	-	517,612	6,043	523,655
Other comprehensive income	-	-	-	-	694	694	(193,758)	(193,064)	(1,449)	(194,513)
Total comprehensive income	-	-	-	-	518,306	518,306	(193,758)	324,548	4,594	329,142
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	152,286	-	(152,286)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,390,829)	(1,390,829)	-	(1,390,829)	-	(1,390,829)
Conversion of convertible bonds	4,947	29,944	-	-	-	-	-	34,891	-	34,891
Equity components of convertible bonds	-	(2,495)	-	-	-	-	-	(2,495)	-	(2,495)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(39,669)	(39,669)
Balance at June 30, 2017	$ 2,072,296	3,430,852	1,546,297	-	561,900	2,108,197	(53,840)	7,557,505	101,426	7,658,931
Balance at January 1,2018	$ 2,093,872	3,544,777	1,546,297	-	1,328,062	2,874,359	(114,601)	8,398,407	105,974	8,504,381
Profit	-	-	-	-	551,180	551,180	-	551,180	4,281	555,461
Other comprehensive income	-	-	-	-	3,316	3,316	71,233	74,549	187	74,736
Total comprehensive income	-	-	-	-	554,496	554,496	71,233	625,729	4,468	630,197
Appropriation and distribution of retained earnings:										
Legal reserve	-	-	128,609	-	(128,609)	-	-	-	-	-
Special reserve	-	-	-	114,601	(114,601)	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	-	(1,067,875)	(1,067,875)	-	(1,067,875)	-	(1,067,875)
Cash dividends from capital surplus	-	(188,448)	-	-	-	-	-	(188,448)	-	(188,448)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	(8,590)	(8,590)
Balance at June 30, 2018	$ 2,093,872	3,356,329	1,674,906	114,601	571,473	2,360,980	(43,368)	7,767,813	101,852	7,869,665

See accompanying notes to financial statements.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2018	2017
Cash flows from (used in) operating activities:		
Profit before tax	$ 725,471	657,045
Adjustments:		
Adjustments to reconcile profit (loss):		
Depreciation expense	176,132	176,223
Amortization expense	9,395	15,468
Expected credit loss (gain) / Provision (reversal of provision) for bad debt expense	(169)	(798)
Net gain on financial assets or liabilities at fair value through profit or loss	(4,368)	(11,761)
Interest expense	21,758	13,670
Interest income	(6,485)	(4,737)
Share of loss of investments under equity method	4,373	15,108
Loss on disposal of property, plan and equipment	1,577	11,182
Gain on disposal of investments under equity method	(57)	-
Impairment loss on non-financial assets	703	-
Total adjustments to reconcile profit (loss)	202,859	214,355
Changes in operating assets and liabilities:		
Changes in operating assets:		
Accounts receivable	(27,696)	65,196
Inventories	(735,877)	(401,853)
Other financial assets	(149,200)	(71,404)
Other operating assets	(89,017)	(69,885)
Total changes in operating assets	(1,001,790)	(477,946)
Changes in operating liabilities:		
Notes payable	(1,932)	3,362
Accounts payable	215,383	118,635
Accounts payable—related parties	27,129	11,989
Other payable	(258,792)	(239,457)
Other current liabilities	9,944	(9,288)
Accrued pension liabilities	4,073	(3,268)
Other operating liabilities	98,844	(20,337)
Total changes in operating liabilities	94,649	(138,364)
Total changes in operating assets and liabilities	(907,141)	(616,310)
Total adjustments	(704,282)	(401,955)
Cash inflow generated from operations	21,189	255,090
Interest received	5,768	4,856
Interest paid	(21,413)	(12,278)
Income taxes paid	(126,888)	(113,698)
Net cash flows from (used in) operating activities	(121,344)	133,970
Cash flows used in investing activities:		
Proceeds from disposal of investments under equity method	19,731	-
Increase in long-term prepayments	(14,138)	(22,140)
Acquisition of property, plant and equipment	(127,704)	(108,762)
Proceeds from disposal of property, plant and equipment	2,392	32,955
Decrease in refundable deposits	(5,630)	6,025
Acquisition of intangible assets	(3,102)	(5,773)
Other investing activities	(281)	(269)
Net cash flows used in investing activities	(128,732)	(97,964)
Cash flows from (used in) financing activities:		
Increase (decrease) in short-term loans	354,984	(54,113)
Acquisition of ownership interests in subsidiaries	-	(15,739)
Dividends received from non-controlling interests	(8,590)	(23,930)
Net cash flows from (used in) financing activities	346,394	(93,782)
Effect of exchange rate changes on cash and cash equivalents	31,864	(73,344)
Net increase (decrease) in cash and cash equivalents	128,182	(131,120)
Cash and cash equivalents at beginning of period	1,559,067	1,749,550
Cash and cash equivalents at end of period	$ 1,687,249	1,618,430

See accompanying notes to financial statements.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

(Expressed in thousands of New Taiwan Dollars, unless otherwise specified)

(1) Company history

Makalot Industrial Co., Ltd. (the Company) was incorporated in January 10, 1990 and registered with the Ministry of Economic Affairs, R.O.C. The address of the Company's registered office is 8F No.550 Sec. 4 Zhongxiao E. Rd., Taipei City. The Company and its subsidiaries (the Group) is primarily involved in the manufacturing, processing, and wholesaling of garments.

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

The consolidated financial statements were reported to the board of directors for issuance on August 8, 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)

MAKALOT INDUSTRIAL 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 significant 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 Group applied this standard retrospectively to each prior reporting period on its consolidated financial statements.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2017, and contracts that begin and end within 2017.

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

1) Sales of goods

For the sale of products, revenue was previously recognized when the related risks and rewards of ownership were transferred. 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 is recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The adoption of IFRS15 did not have any significant impact on its recognition of revenue from contracts and related cost.

(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 profit or loss and OCI. 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.

MAKALOT INDUSTRIAL 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(c).

The adoption of IFRS 9 did not have any 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(c).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below,

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

- 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.

  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.

  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

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·If an investment in a debt security had low credit risk at the date of initial application of IFRS 9, then the Group assumed that the credit risk on its asset will not increase significantly since its initial recognition.

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 Group's financial assets as of January 1, 2018.

	IAS39		IFRS9	
Financial Assets	**Measurement categories**	**Carrying Amount**	**Measurement categories**	**Carrying Amount**
Cash and equivalents	Loans and receivables	1,559,067	Amortized cost	1,559,067
Held-for-trading non-derivative financial assets	Designated as at FVTPL (note 1)	62,748	Mandatorily at FVTPL	62,748
Account receivable, net	Loans and receivables (note 2)	700,771	Amortized cost	700,771
Other financial assets	Loans and receivables (note 2)	2,083,238	Amortized cost	2,083,238
Refundable deposits	Loans and receivables (note 2)	83,744	Amortized cost	83,744

note1: Under IAS 39, these equity securities were classified as at FVTPL because they were managed on a fair value basis and their performance was monitored on this basis. These assets have been classified as mandatorily measured at FVTPL under IFRS 9.

note2: Notes and accounts receivables, other receivables, time deposits over 3 months and guarantee deposits paid that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

Reconciling the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on 1 January, 2018 did not have any significant reclassifications, remeasurements and adjustments.

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(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 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.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements, wherein the detailed assessment has yet to be completed. The actual impact of applying IFRS 16 on its financial statements in the period of initial application will depend on future economic conditions, including the Group' s discounting rate, the composition of the Group' s lease portfolio at that date, the Group' s latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for its operating leases of offices, warehouses and factory facilities. 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.

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 does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather 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.

The lessee applies the election consistently to all of its leases.

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.

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.

The Group is not required to make any adjustments for leases in which the Group is the lessor except where the Group is the intermediate lessor in a sub-lease.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

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If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the most significant impact identified is that the Group will have to recognize the new income tax liabilities and income tax expense for its uncertainty over income tax treatments.

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

As of the date, the following IFRSs have been issued by the IASB, but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
September 11, 2014	Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

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

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(4) Summary of significant accounting policies

(a) Statement of compliance

The 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 consolidated financial statements, the Chinese version shall prevail.

These consolidated financial statements have been prepared in accordance with the preparation and guidelines of IAS 34 "Interim Financial Reporting" which are endorsed and issued into effect by FSC and do not include all of the information required by the Regulations and International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed and issued into effect by the FSC (hereinafter referred to IFRS endorsed by the FSC) for full annual consolidated financial statements.

Except the following accounting policies mentioned below, the significant accounting policies adopted in the consolidated financial statements are the same as those in the consolidated financial statement for the year ended December 31, 2017. For the related information, please refer to note 4 of the consolidated financial statements for the year ended December 31, 2017.

(b) Basis of consolidation

(i) List of subsidiaries in the consolidated financial statements

Name of Investor	Name of Subsidiary	Principal activity	Ownership % June 30, 2018	Ownership % December 31, 2017	Ownership % June 30, 2017	Note
The Company	PT Crystal Garment (PT Crystal)	Manufacture of garments	99.40 %	99.40 %	99.40 %	
The Company	Global Trading Int'l Corp. (Global)	Sale of textiles	100.00 %	100.00 %	100.00 %	
The Company	Loyal Trading Int'l Co., Ltd. (Loyal)	Sale of textiles	100.00 %	100.00 %	100.00 %	
The Company	Leader Garments Corp. (Leader PH)	Manufacture of garments	99.99 %	99.99 %	99.99 %	
The Company	Diamond Apparel Mfg., Inc. (Diamond)	Manufacture of garments	99.99 %	99.99 %	99.99 %	
The Company	Primeline Fashion, Inc. (Primeline)	Manufacture of garments	99.99 %	99.99 %	99.99 %	
The Company	Fortune Star Investment Limited (Fortune Star)	Investment holding	100.00 %	100.00 %	100.00 %	Note 5
The Company	Triple Int'l Corp. (Triple)	Investment holding	100.00 %	100.00 %	100.00 %	
The Company	Ecolot Textile Co., Ltd. (Ecolot)	Trade services	61.65 %	61.65 %	61.65 %	
The Company	Great Time Global Co., Ltd. (Great Time)	Trade services	- %	100.00 %	100.00 %	Note 4
The Company	Glida Athleties Co., Ltd. (Glida)	Manufacture and sales of garments	100.00 %	100.00 %	100.00 %	
Global	PT Glory Industrial Semarang (PT Glory)	Manufacture of garments	95.00 %	95.00 %	95.00 %	Note 6
Global	Makalot Garments (Cambodia) Co., Ltd. (Makalot Cambodia)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Global	Makalot Garments (Vietnam) Co., Ltd. (Makalot Vietnam)	Manufacture of garments	100.00 %	100.00 %	100.00 %	

(Continued)

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Name of Investor	Name of Subsidiary	Principal activity	Ownership % June 30, 2018	December 31, 2017	June 30, 2017	Note
Global	PT Starlight Garment Semarang (PT Starlight)	Manufacture of garments	5.00 %	5.00 %	5.00 %	Note 1、5
Fortune Star	Fund Eagle International Limited (Fund Eagle)	Investment holding	100.00 %	100.00 %	100.00 %	Note 3
Fortune Star	Wintop Industrial Limited (Wintop)	Investment holding	100.00 %	100.00 %	100.00 %	
Fortune Star	Crown Era Industrial Limited (Crown Era)	Investment holding	100.00 %	100.00 %	100.00 %	
Fortune Star	Crownway International Development Limited (Crownway)	Investment holding	100.00 %	100.00 %	100.00 %	
Fortune Star	PT Starlight Garment Semarang (PT Starlight)	Manufacture of garments	95.00 %	95.00 %	95.00 %	Note 5
Fortune Star	PT Glory Industrial Semarang (PT Glory)	Manufacture of garments	5.00 %	5.00 %	5.00 %	Note 2、6
Triple	Moha Garments Co., Ltd. (Moha)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Triple	Triple Garment (Vietnam) Co., Limited (Triple Vietnam)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Triple	Top Trend Global Inc. (Top Trend)	Investment holding	100.00 %	100.00 %	100.00 %	
Top Trend	Leader Garment (Vietnam) Co., Ltd. (Leader Vietnam)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Fund Eagle	Yangzhou Feng Yang Garments Co., Limited (CFY)	Manufacture of garments	- %	- %	100.00 %	Note 3
Crownway	Jiaxing Ruiyang Garment Co., Limited (CJR)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Crownway	Jiaxing Rising Garment Co., Limited (CJY)	Manufacture of garments	100.00 %	100.00 %	100.00 %	Note 5
Wintop	Shanghai Makalot Garment Co., Limited (CMK)	Manufacture of garments	100.00 %	100.00 %	100.00 %	
Crown Era	Jiaxing Suntex Garment Co., Limited (CMZ)	Manufacture of garments	100.00 %	100.00 %	100.00 %	Note 5
Ecolot	Top Shiny Industrial Limited (TOP Shiny)	Investment holding	100.00 %	100.00 %	100.00 %	
Top Shiny	Eco-Lot Textile Co., Ltd. (CBS)	Trade services	100.00 %	100.00 %	100.00 %	

Note 1: Global bought 5% shares of PT Starlight Co., Ltd., with the approval of the Company's board of directors on May 9, 2017.

Note 2: Fortune Star bought 5% shares of PT Glory Co., Ltd., with the approval of the Company's board of directors on May 9, 2017.

Note 3: For the purpose of integrating the managerial resources of the subsidiaries in China, the Company closed CFY, with the approval of the Company's board of directors on January 9, 2017, and reduced the capital of CFY and its investment holding company, Fund Eagle, by returning cash to the Company through Fortune Star on August 7, 2017. CFY had completed the process of its liquidation.

Note 4: The Company sold 100% shares of Great Time, with the approval of the Company's board of directors on January 30, 2018.

Note 5: The financial statements for the six months ended June 30, 2017 of this subsidiary have been reviewed.

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Note 6: The financial statements for the six months ended June 30, 2018 of this subsidiary have been reviewed.

(ii) List of subsidiaries which are not included in the consolidated financial statements: None.

(c) Financial instruments

(i) Financial assets

Financial assets are classified into the following categories: measured at amortized cost and fair value through profit or loss (FVTPL).

The Group 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 income, 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.

2) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

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3) 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, amortized costs, notes and accounts receivable, guarantee deposit paid 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:

·debt securities that are determined to have low credit risk at the reporting date; and

·other debt securities and 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 is 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.

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.

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 is 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.

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.

4) 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.

On derecognition of a debt instrument in its entirety, the Group recognizes the difference between its 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 – unrealized gains or losses on fair value through other comprehensive income", in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

On derecognition of a part of debt instrument in which the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the financial asset shall be allocated between the part that continues to be recognized and the part that is derecognized, on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part derecognized and the sum of the consideration received for the part derecognized, and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income, shall be recognized in profit or loss, and presented it in the line item of non-operating income and expenses in the statement of comprehensive income.

(d) Revenue from contracts with customers

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good to a customer. The accounting policies for the Group's main types of revenue are explained below.

(i) Sale of goods

The Group is involved in the manufacturing, processing and wholesaling of garments. The Group recognizes its revenue when control of the products has been transferred, when the products are delivered to the customer based on the clauses of the contract 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.

The Group offers discounts to specific customers. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts. A certain proportion of sales is used to estimate the discounts and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur.

(ii) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(e) Income taxes

The income tax expenses have been prepared and disclosed in accordance with paragraph B12 of International Financial Reporting Standards 34, Interim Reporting.

Income tax expenses for the period are best estimated by multiplying pre-tax income for the interim reporting period by the effective annual tax rate as forecasted by the management.

For a change in tax rate that is substantively enacted in an interim period, the effect of the change immediately should be recognized in the interim period in which the change occurs.

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

(f) Employee benefits

The pension cost in the interim period was calculated and disclosed on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year.

(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 IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and 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 preparation of the consolidated interim financial statements, estimates and underlying assumptions are reviewed on an ongoing basis which are in conformity with the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to note 5 of the consolidated financial statements for the year ended December 31, 2017.

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(6) Explanation of significant accounts

Except for the following disclosures, there is no significant difference as compared with those disclosed in the consolidated financial statements for the year ended December 31, 2017. Please refer to the 2017 annual consolidated financial statements.

(a) Cash and cash equivalents

	June 30, 2018	December 31, 2017	June 30, 2017
Cash	$ 4,395	4,670	4,403
Checking accounts and demand deposits	730,782	1,439,987	1,365,411
Time deposits	952,072	114,410	248,616
	$ 1,687,249	1,559,067	1,618,430

(b) Financial assets and liabilities at fair value through profit or loss

	June 30, 2018	December 31, 2017	June 30, 2017
Non-derivative financial assets			
Stocks listed on domestic markets	$ 67,116	62,748	61,572

(c) Account receivable

	June 30, 2018	December 31, 2017	June 30, 2017
Accounts receivable—measured as amortized cost	$ 735,082	707,386	462,248
Other financial assets—current	2,207,843	2,083,238	2,083,236
Less: loss allowance	6,446	6,615	4,360
	$ 2,936,479	2,784,009	2,541,124

As of June 30, 2018, December 31, 2017 and June 30, 2017, other financial asset— current comprised time deposits with maturity of more than three months, amounting to $184,096 thousand, $208,225 thousand and $264,626 thousand, respectively. As of June 30, 2018, other financial assets —current is measured as amortized costs.

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime loss provision for all receivables on June 30, 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.

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The loss allowance provision as of June 30, 2018 was determined as follows:

	Gross carrying amount	Weighted-average loss rate	Loss allowance provision
Current	$ 735,082	1%	6,446

As of December 31, 2017 and June 30, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and accounts receivable, and there was no overdue but unimpaired notes receivable, accounts receivable, and other receivables of the Group.

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

		June 30, 2017	
	June 30, 2018	Individually assessed impairment	Collectively assessed impairment
Balance on January 1 , 2017 and 2016 per IAS39	$ 6,615	-	5,158
Adjustment on initial application of IFRS 9	-		
Balance on January 1 , 2018 per IFRS 9	6,615		
Impairment losses reversed	(169)	-	(798)
Balance on June 30, 2018 and 2017	$ 6,446	-	4,360

None of the accounts receivable held by the Group were pledged or collateralized as of June 30, 2018, December 31, 2017 and June 30, 2017.

The Group factored its accounts receivable to certain financial institutions without recourse, and under the agreements, the Group is not required to bear the risk of uncollectible accounts receivable within the factoring credit limit. The factored accounts receivable conform to the derecognition criteria when the ownership and the significant risks of the factored accounts receivable are transferred to the financial institutions. As of June 30, 2018, December 31, 2017 and June 30, 2017, the factored accounts receivable were $2,024,464 thousand, $1,774,388 thousand and $1,795,612, respectively, and they were included in " other financial assets— current" in the accompanying balance sheets.

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As of June 30, 2018, December 31, 2017 and June 30, 2017, the relevant information on derecognized accounts receivable factored was as follows:

June 30, 2018							
Factoring financial institution	Factoring credit limit	Advance amount credit limit	Factored amount (Derecognized amount)	Advance amount	interest rate	Important derecognized provision	Collateral
HSBC Bank	USD 118,000 thousand	USD 112,100 thousand	$ 1,469,320	585,917	(Note 2)	(Note 1)	Promissory note USD87,850 thousand (Note 3)
Standard Chartered Bank	USD 1,000 thousand	USD 1,000 thousand	-	-	〃	〃	None
CTBC Bank	USD 23,600 thousand	USD 21,240 thousand	142,370	-	〃	〃	None
Bank Mizuho	USD 25,000 thousand	USD 22,500 thousand	324,218	175,618	〃	〃	None
Sumitomo Mitsui Bank	USD 56,000 thousand	USD 56,000 thousand	795,154	-	〃	〃	None
Bank SinoPac	USD 5,000 thousand	USD 4,500 thousand	54,937	-	〃	〃	Promissory note USD6,030 thousand
Total			$ 2,785,999	761,535			

December 31, 2017							
Factoring financial institution	Factoring credit limit	Advance amount credit limit	Factored amount (Derecognized amount)	Advance amount	interest rate	Important derecognized provision	Collateral
HSBC Bank	USD 113,000 thousand	USD 101,700 thousand	$ 1,562,892	591,959	(Note 2)	(Note 1)	Promissory note USD87,850 thousand (Note 3)
Standard Chartered Bank	USD 1,000 thousand	USD 1,000 thousand	-	-	〃	〃	None
CTBC Bank	USD 26,800 thousand	USD 24,120 thousand	179,768	-	〃	〃	None
E.SUN Commercial Bank	USD 19,000 thousand	USD 17,100 thousand	3,407	-	〃	〃	Promissory note USD21,600 thousand
Bank Mizuho	USD 25,000 thousand	USD 22,500 thousand	373,774	168,404	〃	〃	None
Sumitomo Mitsui Bank	USD 56,000 thousand	USD 56,000 thousand	1,383,694	1,014,232	〃	〃	None
Bank SinoPac	USD 5,000 thousand	USD 4,500 thousand	45,448	-	〃	〃	Promissory note USD6,030 thousand
Total			$ 3,548,983	1,774,595			

June 30, 2017							
Factoring financial institution	Factoring credit limit	Advance amount credit limit	Factored amount (Derecognized amount)	Advance amount	interest rate	Important derecognized provision	Collateral
HSBC Bank	USD 100,000 thousand	USD 90,000 thousand	$ 985,362	144,124	(Note 2)	(Note 1)	Promissory note USD95,050 thousand (Note 3)
Standard Chartered Bank	USD 1,000 thousand	USD 1,000 thousand	-	-	〃	〃	None
CTBC Bank	USD 76,900 thousand	USD 69,210 thousand	384,600	31,962	〃	〃	None
E.SUN Commercial Bank	USD 18,000 thousand	USD 16,200 thousand	352,328	-	〃	〃	Promissory note USD21,600 thousand
Bank Mizuho	USD 20,000 thousand	TWD 18,000 thousand	281,230	183,361	〃	〃	None
Sumitomo Mitsui Bank	USD 45,000 thousand	USD 45,000 thousand	436,516	354,482	〃	〃	None
Bank SinoPac	USD 5,000 thousand	USD 4,500 thousand	69,505	-	〃	〃	Promissory note USD6,030 thousand
Total			$ 2,509,541	713,929			

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 1: According to the accounts receivable purchase agreements or the approval letters issued by the factoring financial institutions, the accounts receivable were factored without recourse. The funds are transferred to the appointed reserve accounts or directly to the factoring financial institutions.

Note 2: For the three months and six months ended June 30, 2018 and 2017, the average interest rates on factored accounts receivable were 1.85%~2.80%, 1.14%~2.30%, 1.85%~2.80% and 1.14%~2.30%, respectively.

Note 3: The aggregate credit limit of the promissory note includes letters of credit, export bill negotiations, borrowings, derivatives, and accounts receivable factored.

(d) Inventories

	June 30, 2018	December 31, 2017	June 30, 2017
Raw materials	$ 2,428,846	2,069,200	2,684,025
Work in progress	489,229	309,526	270,139
Finished goods (including Merchandise)	376,216	179,688	322,272
	$ 3,294,291	2,558,414	3,276,436

During the three months ended June 30, 2018 and 2017, and the six months ended June 30, 2018, the write-downs of inventories to the net realizable value amounted to $3,447 thousand, $3,482 thousand and $6,158 thousand, respectively. During the six months ended June 30, 2017, the reversal of write-downs amounted to $7,568 thousand. The write-downs and reversals were included in cost of goods sold.

None of the inventories held by the Group were pledged as collateral as of June 30, 2018, December 31, 2017 and June 30, 2017.

(e) Investment under equity method

The Group had sold 6.88% ownership of Texlot Company Limited with a $19,731 thousand consideration and lost significant influence on it. The Group recognized a $57 thousand gain on disposal and presented it in "other gains and losses" in the statement of comprehensive income.

The Group' s investments in the associate companies were not listed and none of the investment under equity method held by the Group was pledge as collateral.

Investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statement that not been reviewed.

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(f) Property, plant and equipment

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

		Land	Buildings	Machinery	Office and other equipment	Total
Cost :						
Balance at January 1, 2018	$	2,691,671	1,424,774	1,798,857	1,124,530	7,039,832
Additions		-	48,440	45,239	31,688	125,367
Disposals		-	-	(28,513)	(4,146)	(32,659)
Reclassification		-	30	(45)	312	297
Exchange difference on translation		3,339	19,593	37,722	21,436	82,090
Balance at June 30, 2018	$	2,695,010	1,492,837	1,853,260	1,173,820	7,214,927
Balance at January 1, 2017	$	2,703,907	1,443,679	1,842,250	1,231,545	7,221,381
Additions		-	16,899	51,973	39,890	108,762
Disposals		-	-	(65,484)	(58,500)	(123,984)
Reclassification		-	8,516	57,138	13,250	78,904
Exchange difference on translation		(9,427)	(52,104)	(99,895)	(63,158)	(224,584)
Balance at June 30, 2017	$	2,694,480	1,416,990	1,785,982	1,163,027	7,060,479
Depreciation and impairment loss:						
Balance at January 1, 2018	$	-	325,764	1,173,835	789,892	2,289,491
Depreciation for the year		-	35,609	85,077	55,446	176,132
Disposals		-	-	(22,524)	(6,166)	(28,690)
Impairment loss		-	-	-	703	703
Reclassification		-	-	(33)	46	13
Exchange difference on translation		-	4,317	27,066	16,070	47,453
Balance at June 30, 2018	$	-	365,690	1,263,421	855,991	2,485,102
Balance at January 1, 2017	$	-	267,192	1,151,644	830,345	2,249,181
Depreciation for the year		-	33,852	86,743	55,628	176,223
Disposals		-	-	(29,672)	(50,175)	(79,847)
Reclassification		-	-	(36)	(125)	(161)
Exchange difference on translation		-	(9,748)	(62,942)	(42,297)	(114,987)
Balance at June 30,2017	$	-	291,296	1,145,737	793,376	2,230,409
Carrying amounts:						
Balance at January 1, 2018	$	2,691,671	1,099,010	625,022	334,638	4,750,341
Balance at June 30, 2018	$	2,695,010	1,127,147	589,839	317,829	4,729,825
Balance at January 1, 2017	$	2,703,907	1,176,487	690,606	401,200	4,972,200
Balance at June 30, 2017	$	2,694,480	1,125,694	640,245	369,651	4,830,070

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Idle assets

As of June 30, 2018, December 31, 2017 and June 30, 2017, the carrying amount of idle assets in property, plant and equipment was $48,842 thousand, $49,911 thousand and $50,222 thousand, respectively.

(ii) Collateral

Please refer to note 8 for assets pledged as collateral for loans as of June 30, 2018, December 31, 2017 and June 30, 2017.

(g) Intangible assets

	Intangible assets
Carrying amounts:	
Balance at January 1, 2018	$ 21,317
Balance at June 30, 2018	$ 16,598
Balance at January 1, 2017	$ 38,354
Balance at June 30, 2017	$ 29,550

There were no significant additions, disposal, or recognition and reversal of impairment losses of intangible assets for the six months ended June 30, 2018 and 2017. Information on amortization for the period is discussed in Note 12(a). Please refer to Note 6(g) of the 2017 annual consolidated financial statements for other related information.

(h) Other current and other non-current assets

The details of other current and other non-current assets were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Prepayments for land and equipment	$ 90,507	74,572	40,602
Prepayments for inventory	45,207	17,694	63,019
Prepaid sales tax	148,902	129,427	123,267
Refundable deposits	89,374	83,744	86,093
Prepaid rent	106,169	105,468	108,347
Time deposits with maturity more than one year	30,000	-	-
Other	165,159	114,006	143,779
	$ 675,318	524,911	565,107

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(i) Short-term borrowings

	June 30, 2018	December 31, 2017	June 30, 2017
Unsecured bank loans	$ 632,570	277,586	334,449
Total	$ 632,570	277,586	334,449
Unused facilities	$ 5,024,293	5,076,685	4,151,550
Range of interest rates	1.85%~2.90%	0.95%~2.30%	1.14%~2.30%

Please refer to note 8 for assets pledged as collateral for loans.

(j) Convertible bond payable

The details of convertible bond payable of the Group were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Amount of convertible bond issued	$ -	700,000	700,000
Unamortized bond discount	-	-	(212)
Cumulative converted amount	-	(700,000)	(564,500)
Balance of convertible bond	-	-	135,288
Less: current portion	-	-	(135,288)
	$ -	-	-

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Interest expense (accounted for as finance cost)	$ -	661	-	1,428

The Company issued the No. 4 five-years unsecured convertible bonds in Taiwan without coupon rate. These convertible bonds cover a period from August 24, 2012, to August 24, 2017.

At any time during the period from September 25, 2012, to July 15, 2017, the Company may redeem the bonds with cash at face value with certain circumstances.

At any time on or after August 24, 2015, the bondholders may request the Company to repurchase the convertible bond at 100.7519% of the face value. During the period from July 25, 2016, to August 25, 2016, the bondholders may request the Company to repurchase the convertible bond at 101.0038% of the face value.

The bondholders may request conversion of the bond to the Company's common stock at any time during the period from September 25, 2012, to August 14, 2017. The Company will pay the principal in cash when the bonds are not converted into common stock nor redeemed at the maturity date.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(k) Provisions

Balance at January 1,2018	$ 262,121
Balance at June 30,2018	$ 282,034
Balance at January 1, 2017	$ 339,646
Balance at June 30, 2017	$ 303,008

There was no significant movement for the six months ended June 30, 2018 and 2017. Please refer to note 6(l) of the 2017 annual consolidated financial statements for other related information.

(l) Operating lease

There were no significant changes in operating lease for the six months ended June 30, 2018 and 2017. Please refer to note 6(k) of the 2017 annual consolidated financial statements for other related information.

(m) Employee benefits

(i) Defined benefit plans

Management believes that there was no material volatility of the market, no material reimbursement and settlement or other material one-time events since prior fiscal year. As a result, the pension cost in the accompanying interim period was measured and disclosed according to the actuarial report as of December 31, 2017 and 2016.

There Group's pension costs under the defined pension plans amounted to $16,553 thousand, $13,086 thousand, $29,771 thousand and $25,376 thousand for the three months and six months ended June 30, 2018 and 2017, respectively.

(ii) Defined contribution plans

The Group's pension costs under the defined contribution pension plans amounted to $12,890 thousand, $11,490 thousand, $25,353 thousand and $23,668 thousand for the three months and six months ended June 30, 2018 and 2017, respectively.

(n) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing corporate income tax return commencing FY 2018.

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(i) The components of income tax for the three months and six months ended June 30, 2018 and 2017, were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Current income tax expense	$ 78,259	59,853	170,010	133,390

(ii) The amount of income tax recognized in other comprehensive income for the three months and six months ended June 30, 2018 and 2017 was as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Items that will not be reclassified subsequently to profit or losses:				
Re-measurement from defined benefit plans	$ -	-	-	398

(iii) Income tax approval

The Company' s income tax returns have been examined and approved by the ROC tax authorities through the years up to 2015.

(o) Capital and other equity

Except for the following disclosure, there was no significant change for capital and other equity for the periods from January 1 to June 30, 2018 and 2017. For the related information, please refer to note 6(o) of the 2017 annual consolidated financial statements.

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. Unless and until the accumulated legal reserve equals the Company's total capital, the Company may set aside a special reserve in accordance with Article 41 of the Securities and Exchange Act. After the board of director considers the Company' s budget for funding needs, financial structure, current-period earnings, and steady profit distribution when proposing the distribution of earnings, the proposal should be resolved during the stockholders' meeting.

The Company is now in the growth stage, and profits may be distributed by cash dividends or stock dividends. The type of dividend distribution will be based on the future capital needs and the capital dilution. Cash dividends shall not be lower than 10% of the total distribution.

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Earnings distributions for 2017 and 2016 were decided in the Company' s general meetings of shareholders held on June 27, 2018, and June 19, 2017, respectively. The relevant dividend distributions to the shareholders were as follows:

	2017		2016	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Cash	$ 5.10	1,067,875	6.72	1,390,829
Capital surplus distribution by cash	$ 0.90	188,448	-	-

(p) Earnings per share

The Company's earnings per share were calculated as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Basic earnings per share:				
Profit attributable to ordinary shareholders of the Company	$ 231,347	203,195	551,180	517,612
Weighted-average number of outstanding ordinary shares (thousand)	209,387	207,154	209,387	206,982
Basic earning per share (NT dollars)	$ 1.10	0.98	2.63	2.50
Diluted earnings per share:				
Profit attributable to ordinary shareholders of the Company (basic)	231,347	203,195	551,180	517,612
Interest on convertible bonds, other gains and losses	-	548	-	1,185
Profit attributable to ordinary shareholders of the Company (diluted)	$ 231,347	203,743	551,180	518,797
Weighted-average number of outstanding ordinary shares (basic) (thousand)	$ 209,387	207,154	209,387	206,982
Effect of employee stock dividends (thousand)	300	256	621	646
Effect of conversion of convertible bonds (thousand)	-	2,132	-	2,303
Weighted-average number of outstanding ordinary shares (diluted) (thousand)	209,687	209,542	210,008	209,931
Diluted earnings per share (NT dollars)	$ 1.10	0.97	2.62	2.47

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(q) Revenue from contracts with the customers

Disaggregation of revenue

	For the three months ended June 30, 2018			
		Selling and manufacturing of garments	Other segments	Total
Primary geographical markets:				
American region	$	3,338,507	-	3,338,507
Others		1,279,099	447,634	1,726,733
	$	**4,617,606**	**447,634**	**5,065,240**

	For the six months ended June 30, 2018			
		Selling and manufacturing of garments	Other segments	Total
Primary geographical markets:				
American region	$	6,888,661	-	6,888,661
Others		2,764,161	543,506	3,307,667
	$	**9,652,822**	**543,506**	**10,196,328**

	For the three months ended June 30, 2017			
		Selling and manufacturing of garments	Other segments	Total
Primary geographical markets:				
American region	$	3,268,791	-	3,268,791
Others		1,186,541	231,659	1,418,200
	$	**4,455,332**	**231,659**	**4,686,991**

	For the six months ended June 30, 2017			
		Selling and manufacturing of garments	Other segments	Total
Primary geographical markets:				
American region	$	7,496,096	-	7,496,096
Others		2,369,451	352,646	2,722,097
	$	**9,865,547**	**352,646**	**10,218,193**

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(r) Employee compensation, directors' and supervisors' remuneration

In accordance with the Articles of incorporation , the Company should contribute at least 1% and not more than 8% of the profit as employee remuneration and not exceed 5% as directors' an supervisors' remuneration when there is profit for the year. However, if the Company has accumulated deficits, the profit should be reserved to offset the deficit.

For the three months and six months ended June 30, 2018 and 2017, the Company estimated its employee remuneration amounting to $17,247 thousand, $14,850 thousand, $41,122 thousand and $37,603 thousand, and directors' and supervisors' remuneration amounting to $7,186 thousand, $6,188 thousand, $17,226 thousand and $15,668 thousand, respectively. The estimated amounts mentioned above were calculated based on the net profit before tax, excluding remuneration to employee, directors and supervisors of each period, multiplied by the percentage of remuneration to employees, directors and supervisors as specified in the Company's articles. The remunerations were expensed under operating costs or operating expenses during the period. The differences between the amounts approved in the shareholders' meeting and those recognized in the financial statements, if any, are accounted for as changes in accounting estimates and recognized as profit or loss in next year.

The remuneration to employees, as estimated in consolidated financial statements, amounted to $92,746 thousand and $110,473 thousand were identical to those amount approved for the year ended December 31, 2017 and 2016, respectively.

The differences between actual approved amount directors' and supervisors' remuneration and those estimated in the financial statements in 2017 and 2016 were as follows:

	2017		
	Actual approved amount	**Estimated amount in financial statement**	**Difference**
Directors' and supervisors' remuneration	$ 38,420	38,644	(224)

	2016		
	Actual approved amount	**Estimated amount in financial statement**	**Difference**
Directors' and supervisors' remuneration	$ 37,500	46,112	(8,612)

The information of employees', directors' and supervisors' remuneration approved by the board of directors is available on the Market Observation Post System website.

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(s) Non-operating income and expenses

(i) Other income

The Group's other income was as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Rental income	$ 4,620	4,359	9,068	8,719
Interest income from bank deposits	3,857	2,871	6,485	4,737
Others	1,549	2,747	3,736	5,171
	$ **10,026**	**9,977**	**19,289**	**18,627**

(ii) Other gains and losses

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

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Foreign exchange gain (loss)	$ 11,969	(26,779)	(6,300)	(81,075)
Gain on disposals of investments	57	-	2,439	-
Net gains (losses) on financial assets at fair value through profit or loss—valuation	(1,344)	1,764	4,368	11,761
Net gains on financial assets at fair value through profit or loss—realized	2,272	6,674	15,850	14,881
Loss on disposal of property, plant and equipment	(1,283)	(11,649)	(1,577)	(11,182)
Impairment loss of property, plant and equipment	(703)	-	(703)	-
Others	(28,184)	(2,386)	(31,633)	(3,679)
	$ **(17,216)**	**(32,376)**	**(17,556)**	**(69,294)**

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Finance costs

The Group's of finance expenses were as follows:

		For the three months ended June 30		For the six months ended June 30	
		2018	2017	2018	2017
Interest expense—bank borrowings	$	(10,394)	(5,191)	(21,758)	(12,243)
Interest expense—convertible bonds		-	(661)	-	(1,428)
Expenses from accounts receivable factoring		(5,256)	(4,898)	(12,235)	(12,619)
	$	(15,650)	(10,750)	(33,993)	(26,290)

(t) Financial Instruments

Except for the following disclosures, there was no significant change in the fair value of the Group's financial instruments and degree of exposure to credit risk, liquidity risk and market risk arising from financial instruments. For the related information, please refer to note 6(s) of the 2017 annual consolidated financial statements.

(i) Liquidity risk

The following table shows the contractual maturities of financial liabilities, including the estimated interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flow	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
June 30, 2018							
Non-derivative financial liabilities							
Short-term borrowings	$ 632,570	(635,343)	(635,343)	-	-	-	-
Accounts payable and other payables	3,137,430	(3,137,430)	(3,137,430)	-	-	-	-
Dividends payable	1,256,323	(1,256,323)	(1,256,323)	-	-	-	-
	$ 5,026,323	(5,029,096)	(5,029,096)	-	-	-	-
December 31, 2017							
Non-derivative financial liabilities							
Short-term borrowings	$ 277,586	(278,352)	(278,352)	-	-	-	-
Accounts payable and other payables	3,078,362	(3,078,362)	(3,078,362)	-	-	-	-
	$ 3,355,948	(3,356,714)	(3,356,714)	-	-	-	-

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		Carrying amount	Contractual cash flow	Within 6 months	6~12 months	1~2 years	2~5 years	Over 5 years
June 30, 2017								
Non-derivative financial liabilities								
Short-term borrowings	$	334,449	(335,018)	(335,018)	-	-	-	-
Convertible bond payable		135,288	(135,500)	(135,500)	-	-	-	-
Accounts payable and other payables		2,956,870	(2,956,870)	(2,956,870)	-	-	-	-
Dividends payable		1,390,829	(1,390,829)	(1,390,829)	-	-	-	-
	$	4,817,436	(4,818,217)	(4,818,217)	-	-	-	-

The Group does not expect the cash flows included in the maturity analysis to occur significantly earlier or at significantly different amounts.

(ii) Market risk

1) Exposure to currency risk

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

	June 30, 2018			December 31, 2017			June 30, 2017		
	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD	Foreign currency	Exchange rate	TWD
Financial assets									
Monetary items									
USD	$ 92,371	30.50	2,817,303	164,538	29.848	4,911,130	147,546	30.436	4,490,715
CNY	108,749	4.5999	500,235	146,573	4.5764	670,772	109,019	4.4852	488,971
IDR	13,230,357	0.002117	28,015	13,599,310	0.002203	29,961	14,792,516	0.002285	33,803
VND	39,925,447	0.001330	53,118	11,442,314	0.001315	15,045	15,602,243	0.001341	20,919
No-monetary items									
USD	5,130	30.50	156,460	5,953	29.848	177,696	5,882	30.436	179,025
Financial liabilities									
Monetary items									
USD	87,489	30.50	2,668,404	70,932	29.848	2,117,178	81,497	30.436	2,480,454
CNY	153,566	4.5999	706,386	179,136	4.5764	819,793	143,387	4.4852	643,117
IDR	47,213,080	0.002117	99,972	62,089,049	0.002203	136,790	35,857,608	0.002285	81,940
VND	146,202,216	0.001330	194,511	84,170,931	0.001315	110,676	111,909,306	0.001341	150,047

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, other receivables, loans, accounts payable, and other payables. A 1% depreciation or appreciation of the TWD against the USD, CNY, IDR and VND as of June 30, 2018, would have decreased or increased the net income after tax by $2,706 thousand, and as of June 30, 2017, would have increased or decreased the net income after tax by $16,788 thousand, respectively. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for both periods.

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As the Company deals in diverse foreign currencies, gains or losses on foreign exchange were summarized as a single amount. For the three months and six months ended June 30, 2018 and 2017, foreign exchange gain (loss), including realized and unrealized, amounted to $11,969 thousand, $(26,779) thousand, $(6,300) thousand and $(81,075) thousand, respectively.

2) Interest rate analysis

The Group's borrowings are mainly with fixed interest rates; thus, there is no significant interest rate risk.

(iii) Fair value of financial instruments

1) Fair value hierarchy

The Group's financial assets at fair value through profit or loss were measured by fair value based on duplication. The carrying amount, fair value, and fair value hierarchy for the financial assets and financial liabilities of the Group were as followed (excluding the disclosure of financial assets and liabilities for which the book value is close to this fair value, or the fair value cannot be reliably measured):

	June 30, 2018				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 67,116	67,116	-	-	67,116
Financial assets measured at amortized cost:					
Cash and cash equivalents	1,687,249	-	-	-	-
Accounts receivable	728,636	-	-	-	-
Other financial assets—current	2,207,843	-	-	-	-
Other financial assets—non-current	30,000	-	-	-	-
Subtotal	4,653,728	-	-	-	-
Refundable deposit	89,374	-	-	-	-
Financial liabilities measured at amortized cost:					
Short-term borrowings	632,570	-	-	-	-
Accounts payable and other payables	3,137,430	-	-	-	-
Dividends payable	1,256,323	-	-	-	-
Subtotal	5,026,323	-	-	-	-

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	December 31, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 62,748	62,748	-	-	62,748
Financial assets measured at amortized cost:					
Cash and cash equivalents	1,559,067	-	-	-	-
Accounts receivable and notes receivable	700,771	-	-	-	-
Other financial assets	2,083,238	-	-	-	-
Subtotal	4,343,076	-	-	-	-
Refundable deposit	83,744	-	-	-	-
Financial liabilities measured at amortized cost:					
Short-term borrowings	277,586	-	-	-	-
Accounts payable and other payables	3,078,362	-	-	-	-
Subtotal	3,355,948	-	-	-	-

	June 30, 2017				
		Fair value			
	Book value	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss:					
Non-derivative financial assets mandatorily measured at fair value through profit or loss	$ 61,572	61,572	-	-	61,572
Financial assets measured at amortized cost:					
Cash and cash equivalents	1,618,430	-	-	-	-
Accounts receivable and notes receivable	457,888	-	-	-	-
Other financial assets	2,083,236	-	-	-	-
Subtotal	4,159,554	-	-	-	-
Refundable deposit	86,093	-	-	-	-
Financial liabilities measured at amortized cost:					
Short-term borrowings	334,449	-	-	-	-
Accounts payable and other payables	2,956,870	-	-	-	-
Convertible bonds	135,288	-	-	-	-
Dividends payable	1,390,829	-	-	-	-
Subtotal	4,817,436	-	-	-	-

2) Valuation techniques for financial instruments measured at fair value

a) Non-derivative financial instruments

A financial instrument is regarded as being quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm' s-length basis. Whether transactions are taking place 'regularly' is a matter of judgment and depends on the facts and circumstances of the market for the instrument.

Quoted market prices may not be indicative of the fair value of an instrument if the activity in the market is infrequent, the market is not well-established, only small volumes are traded, or bid-ask spreads are very wide. Determining whether a market is active involves judgment.

(Continued)

Except for the aforementioned financial instruments, the fair value of other financial instruments is determined by using valuation techniques or the quoted price from a counterparty. Fair value measured by a valuation technique can be extrapolated from similar financial instruments, the discounted cash flow method, or other valuation techniques including a model using observable market data at the reporting date.

b) Derivative financial instruments

Measurement of the fair value of derivative instruments is based on the valuation techniques generally accepted by market participants. The fair value of a forward exchange contract is usually determined by the forward exchange rate. Measurement of the fair value of an embedded derivative financial instrument is based on an option pricing model or other valuation technique.

3) Transfer between fair value hierarchy

There were no transfers in either direction for the six months ended June 30, 2018 and 2017.

(u) Financial risk management

There was no significant changes in the Group's financial risk management and policies as disclosed in note 6(t) of the 2017 annual consolidated financial statements.

(v) Capital management

Management believes that the objectives, policies and processes of capital management of the Group has been applied consistently with those described in the 2017 annual consolidated financial statements. Also, management believes that there were no significant changes in the Group's capital management information as disclosed for the year ended December 31, 2017. Please refer to note 6(t) of the 2017 annual consolidated financial statements.

(w) Investing and financing activities not affecting current cash flow

The Group's investing and financing activities which did not affect the current cash flow were the conversion of convertible bonds. The sum of ordinary shares and capital surplus amounted to $34,891 thousand for the six months ended June 30, 2018 .

(7) Related-party transactions

(a) Parent company and ultimate controlling Company

The Company is the ultimate controlling party of the Company and its subsidiaries.

(Continued)

(b) Names and relationship with related parties

The following are entities that have had transactions with the Group during the periods covered in the consolidated financial statements.

Name of related party	Relationship with the Group
Namtex Co., Ltd. (Namtex)	An associate

(c) Significant transactions with related parties

(i) Purchasing

The amounts of significant purchases by the Group from related parties were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Associates	$ 110,273	62,399	179,198	100,409

Purchasing prices and payment terms with associates are the same as those of general purchases.

(ii) Related-party payables

Account name	Types of related parties	June 30, 2018	December 31, 2017	June 30, 2017
Accounts payable −related parties	Associates:			
	Namtex	$ 81,050	53,921	34,350

(iii) Related-party receivables

Account name	Types of related parties	June 30, 2018	December 31, 2017	June 30, 2017
Other financial assets−current	Associates	$ 293	442	482

(iv) Key management personnel compensation

Key management personnel compensation comprised:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	$ 16,905	19,057	36,769	39,074
Post-employment benefits	22	13	44	27
	$ 16,927	19,070	36,813	39,101

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(8) Pledged assets

The Group's pledged assets were as follows:

Pledged assets	Pledged to secure	June 30, 2018	December 31, 2017	June 30, 2017
Land	Security of bank loans facility	$ 2,484,818	2,484,818	2,484,818
Property, plant and equipment	Security of bank loans facility	263,561	271,588	279,615
Refundable deposits	Lease deposit	89,374	83,744	86,093
		$ 2,837,753	2,840,150	2,850,526

(9) Commitments and contingencies

Unrecognized significant commitments:

(a) Unused letters of credit

	June 30, 2018	December 31, 2017	June 30, 2017
Unused letters of credit	$ 400,807	153,840	355,161

(b) The Group issued promissory notes to the banks to apply for borrowings, export bills negotiation, derivatives, and factoring of accounts receivable. The issued promissory notes were as follows:

	June 30, 2018	December 31, 2017	June 30, 2017
Issued promissory notes	$ 8,578,072	9,313,210	9,046,751

(10) Losses Due to Major Disasters: None

(11) Subsequent Events: None

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(12) Other

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By item	For the three months ended June 30					
	2018			2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	872,287	293,041	1,165,328	870,959	242,063	1,113,022
Labor and health insurance	60,760	22,278	83,038	57,975	18,834	76,809
Pension	19,625	9,818	29,443	16,166	8,410	24,576
Directors' remuneration	-	7,370	7,370	-	7,575	7,575
Others	74,232	26,127	100,359	40,958	19,570	60,528
Depreciation	69,788	18,657	88,445	71,341	17,537	88,878
Amortization	-	2,634	2,634	2,851	5,072	7,923

By function / By item	For the six months ended June 30					
	2018			2017		
	Cost of sales	Operating expenses	Total	Cost of sales	Operating expenses	Total
Employee benefits						
Salaries	1,712,570	552,175	2,264,745	1,746,925	500,801	2,247,726
Labor and health insurance	120,030	48,522	168,552	115,758	41,876	157,634
Pension	35,682	19,442	55,124	31,391	17,653	49,044
Directors' remuneration	-	17,410	17,410	-	15,791	15,791
Others	107,714	48,991	156,705	82,797	66,208	149,005
Depreciation	140,002	36,130	176,132	141,536	34,687	176,223
Amortization	3,056	6,339	9,395	6,102	9,366	15,468

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other disclosure items

(a) Information on significant transactions:

The followings were the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group for the six months ended June 30, 2018:

(i) Lending to other parties :

(In Thousands of New Taiwan Dollars/shares)

Number	Name of lender	Name of borrower	Account name	Related party	Highest balance of financing to other parties during the period	Ending balance	Actual usage amount during the period	Range of interest rates during the period	Purposes of fund financing for the borrower	Transaction amount of business between two parties	Reasons for short-term financing	Loss allowance	Collateral		Individual funding loan limits	Maximum limit of fund financing
													Item	Value		
0	The Company	PT Crystal	Other receivable-related parties	Yes	100,065	51,240	51,240	3.0 %	2	-	Operating capital	-	None	-	1,553,563	3,107,125
0	The Company	PT Glory	Other receivable-related parties	Yes	653,615	653,615	586,210	3.0 %	1	Processing 1,446,623	None	-	None	-	1,446,623	3,107,125
0	The Company	PT Starlight	Other receivable-related parties	Yes	186,965	186,965	182,695	3.0 %	1	Processing 554,005	None	-	None	-	554,005	3,107,125
0	The Company	Makalot Cambodia	Other receivable-related parties	Yes	258,030	258,030	211,950	3.0%	1	Processing 1,413,241	None	-	None	-	1,413,241	3,107,125
0	The Company	Moha	Other receivable-related parties	Yes	266,570	266,570	266,570	3.0%	1	Processing 842,472	None	-	None	-	842,472	3,107,125
0	The Company	Makalot Vietnam	Other receivable-related parties	Yes	402,295	402,295	402,295	3.0%	1	Processing 1,137,287	None	-	None	-	1,137,287	3,107,125
0	The Company	Triple Vietnam	Other receivable-related parties	Yes	76,250	76,250	76,250	3.0%	1	Processing 709,723	None	-	None	-	709,723	3,107,125
0	The Company	Leader Vietnam	Other receivable-related parties	Yes	631,285	419,375	225,700	2.8%~3%	2	-	Operating capital	-	None	-	1,553,563	3,107,125
0	The Company	Leader Vietnam	Other receivable-related parties	Yes	36,600	36,600	-	3.0 %	1	Processing 211,737	None	-	None	-	211,737	3,107,125
1	CMZ, CJY, CJR, CMK (Note 4)	CMZ, CJY, CJR, CMK (Note 4)	Other receivable	Yes	46,831	45,999	27,599	2.5 %	2	-	Operating capital	-	None	-	776,781	1,553,563

Note: The ceiling on total loans granted by the Company to all parties is 40% of its net assets in the financial statements; the ceiling on the short-term financing for each entity's operating capital granted by the Company is 20% of its net assets in the financial statements; the ceiling on the loan granted by the Company to each entity which has business transactions with the Company is the transaction amount within a year. The policy for loans granted mutually between its overseas subsidiaries of which the Company directly or indirectly holds 100% of their voting shares is as follows:

The ceiling on total loans granted by an on overseas subsidiary to all overseas subsidiaries is 20% of the Company's net assets in the financial statements; the limit on loans granted by an overseas subsidiary to each overseas subsidiary is 10% of the Company's net assets in the financial statements.

Note 1: Nature of financing: 1. Business transaction purpose. 2. Short-term financing purpose.

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note 2: Ending facility balance approved by BOD.

Note 3:The trading companies purchase materials from the Company and sell the final products back to the Company after processing. The Company provides the materials through Loyal Trading Int' l Co., Ltd. to its subsidiaries for productions. According to the regulation, the Company only discloses the amount of processing; however, the ceiling on the loan to the above entities is the actual amount of the transactions involving the final products.

Note 4: The credit limit between subsidiaries in China.

Note 5: The aforementioned transactions have been eliminated when preparing the consolidated financial statements.

(ii) Guarantees and endorsements for other parties : None

(iii) Information regarding securities held at the reporting date (subsidiaries, associates and joint ventures not included) :

(In Thousands of New Taiwan Dollars/thousand shares)

Name of holder	Category and name of security	Relationship with company	Account title	June 30, 2018				Note
				Shares	Carrying value	Percentage of ownership (%)	Fair value	
The Company	Dimerco Data System Corporation (DDSC)	None	Financial assets at fair value through profit or loss－current	1,680	67,116	2.68 %	67,116	

(iv) Information regarding purchase or sale of securities for the period exceeding NT$300 million or 20% of the Company's paid-in capital : None

(v) Information on acquisition of Company's paid-in real estate with purchase amount exceeding NT$300 million or 20% of the Company's paid-in capital : None

(vi) Information regarding receivable from disposal of real estate exceeding NT$300 million or 20% of the Company's paid-in capital : None

(vii) Information regarding related-parties purchases and or sales exceeding NT$100 million or 20% of the Company's paid-in capital:

(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	Global	Subsidiary	Purchase	1,268,928	23 %	30~60 days	Note 1	-	(350,115)	14%	
The Company	Loyal	Subsidiary	Purchase	411,689	8 %	30~60 days	Note 1	-	(195,852)	8%	
The Company	Ecolot	Subsidiary	Purchase	302,089	6 %	45~60 days	-	-	(142,236)	6%	
The Company	Namtex	Investee under equity method	Purchase	179,198	3 %	30~45 days	-	-	(81,050)	3%	
The Company	Loyal	Subsidiary	Processing	2,671	- %	30~60 days	-	-	-	-%	
The Company	PT Glory	Subsidiary	Processing	713,336	22 %	30~60 days	-	-	-	-%	
The Company	Makalot Cambodia	Subsidiary	Processing	623,964	19 %	30~60 days	-	-	(37,222)	2%	
The Company	Makalot Vietnam	Subsidiary	Processing	604,553	19 %	30~90 days	-	-	(266,862)	11%	
The Company	Moha	Subsidiary	Processing	376,862	12 %	30~60 days	-	-	(4,563)	-%	
The Company	Triple Vietnam	Subsidiary	Processing	306,550	10 %	30~60 days			(78,533)	3%	
The Company	PT Starlight	Subsidiary	Processing	308,847	10 %	30~60 days	-	-	(74,574)	3%	
The Company	Leader PH	Subsidiary	Processing	128,267	4 %	30~90 days	-	-	(13,927)	-%	

(Continued)

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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	Leader Vietnam	Subsidiary	Processing	119,134	4 %	30~60 days	-	-	(18,190)	-%	
CJR	Loyal	Associates	Sale	164,036	- %	30 days after exportation	-	-	29,332	92%	
CJY	Loyal	Associates	Sale	150,259	93 %	30 days after exportation	-	-	-	-%	
CBS	Ecolot	Parent Company	Sale	292,522	- %	45~60 days	-	-	115,245	68%	

Note: The aforementioned transactions have been eliminated when preparing the consolidated financial statements.

Note 1: The mark-up price is based on the cost or re-sale price with a fixed ratio which is based on the cost and expense that the subsidiary incurred.

(viii) information regarding receivables from related parties exceeding NT$100 million or 20% of the Company's paid-in capital :

(In thousands of New Taiwan Dollars)

Name of company	Related party	Nature of relationship	Ending balance	Turnover days	Overdue		Amounts received in subsequent period	Loss allowance
					Amount	Action taken		
The Company	PT Glory	Subsidiary	Other receivables 590,167	-	-	-	-(Note 1)	-
The Company	Makalot Vietnam	Subsidiary	Other receivables 405,053	-	-	-	-(Note 1)	-
The Company	Moha	Subsidiary	Other receivables 268,289	-	-	-	-(Note 1)	-
The Company	Leader Vietnam	Subsidiary	Other receivables 225,700	-	-	-	- (Note 1)	-
The Company	Makalot Cambodia	Subsidiary	Other receivables 213,317	-	-	-	-(Note 1)	-
The Company	PT Starlight	Subsidiary	Other receivables 183,928	-	-	-	- (Note 1)	-
Global	The Company	Parent company	350,115	6.09	-	-	119,767	-
Loyal	The Company	Parent company	195,852	3.52	-	-	21,712	-
Makalot Vietnam	The Company	Parent company	266,862	4.76	-	-	125,623	-
Ecolot	The Company	Parent company	142,236	7.45	-		80,353	-
CBS	Ecolot	Parent company	115,245	10.15	-		112,845	-

Note: The aforementioned transactions have been eliminated when preparing the consolidated financial statements.

Note 1: The uncollected accounts receivable primarily consisted of loans.

Note 2: The amount was collected before July 23, 2018.

(ix) Information regarding trading in derivative financial instruments :None

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(x) Significant transactions and business relationships between the parent company and its subsidiaries for the six months ended June 30, 2018:

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
0	The Company	Global	1	Operating cost	1,268,928	Cost multiplied by a fixed ratio	12%
0	〃	Loyal	1	〃	414,360	Purchase order price multiplied by a fixed ratio	4%
0	〃	Ecolot	1	〃	302,089	〃	3%
0	〃	Leader PH	1	〃	128,267	〃	1%
0	〃	Leader Vietnam	1	〃	119,134	〃	1%
0	〃	PT Glory	1	〃	713,336	Processing cost based on the market price	7%
0	〃	Makalot Vietnam	1	〃	604,553	〃	6%
0	〃	Makalot Cambodia	1	〃	623,964	〃	6%
0	〃	Moha			376,862	〃	4%
0	〃	PT Starlight	1	〃	308,847	〃	3%
0	〃	Triple Vietnam	1	〃	306,550	〃	3%
0	〃	Global	1	Accounts payable	350,115	30～60 days	2%
0	〃	Loyal	1	〃	195,852	〃	1%
0	〃	Makalot Vietnam	1	〃	266,862	30～90 days	2%
0	〃	Ecolot	1	〃	142,236	45～60 days	1%
0	〃	PT Glory	1	Other non-current receivables	586,210	Financing	4%
0	〃	Makalot Vietnam	1	〃	402,295	〃	3%
0	〃	Moha	1	〃	266,570	〃	2%
0	〃	Leader Vietnam	1	〃	225,700	〃	2%
0	〃	Makalot Cambodia	1	〃	211,950	〃	2%
0	〃	PT Starlight	1	〃	182,695	〃	1%
1	CJY	Loyal	3	Operating revenue	150,259	Based on the market price	1%
2	CJR	Loyal	3	〃	164,036	〃	2%
3	CBS	Ecolot	3	〃	292,522	〃	3%
3	CBS	Ecolot	3	Accounts receivable	115,245	45～60 days	1%

Note 1: 0 represents the parent company. The subsidiaries start sequentially from 1 in Arabic numerals.

Note 2: The relationships between transaction parties are as follows:

1.parent to subsidiary

2.subsidiary to parent

3.subsidiary to subsidiary

Note 3: The aforementioned transactions have been eliminated when preparing the interim consolidated financial statements.

(b) Information on investments (excluding information on investments in Mainland China):

The following is the information on investees for the six months ended June 30, 2018:

(In Thousands of New Taiwan Dollars/share)

Name of investor	Name of investee	Location	Main businesses and products	Original investment amount		Balance as of June 30, 2018			Net income (losses) of investee	Share of profits/losses of investee	Note
				June 30, 2018	December 31, 2017	Shares	Percentage of ownership	Carrying value			
The Company	Global	British Virgin Islands	Sale of textiles	518,400	518,400	15,740	100.00 %	611,271	(1,907)	(4,406)	Subsidiary
The Company	Loyal	British Virgin Islands	Sale of textiles	19,857	19,857	10,000	100.00 %	175,315	(283)	(283)	Subsidiary

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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Name of investor	Name of investee	Location	Main businesses and products	Original investment amount June 30, 2018	Original investment amount December 31, 2017	Balance as of June 30, 2018 Shares	Balance as of June 30, 2018 Percentage of ownership	Balance as of June 30, 2018 Carrying value	Net income (losses) of investee	Share of profits/losses of investee	Note
The Company	PT Crystal	Indonesia	Manufacture of garments	34,464	34,464	993,191	99.40 %	(43,177)	(780)	(780)	Subsidiary
The Company	Leader PH	Philippines	Manufacture of garments	7,281	7,281	249,995	99.99 %	38,995	(2,960)	(2,960)	Subsidiary
The Company	Diamond	Philippines	Manufacture of garments	-	-	149,995	99.99 %	3,060	(162)	(162)	Subsidiary
The Company	Primeline	Philippines	Manufacture of garments	9,945	9,945	99,995	99.99 %	57	(4)	(4)	Subsidiary
The Company	Fortune Star	Samoa	Investment holding	649,788	688,203	20,303,591	100.00 %	529,046	(14,407)	(14,068)	Subsidiary
The Company	Triple	Samoa	Investment holding	556,051	460,691	14,000,000	100.00 %	243,441	(24,448)	(25,817)	Subsidiary
The Company	Ecolot	Taiwan	Sale of garments	59,472	59,472	9,864,000	61.65 %	164,146	15,310	6,890	Subsidiary
The Company	Great Time	Taiwan	Sale of garments	-	4,575	-	- %	-	(69)	(69)	Subsidiary
The Company	Glida	Taiwan	Sale of garments	5,000	5,000	500,000	100.00 %	4,981	(1)	(1)	Subsidiary
Global	PT Glory	Indonesia	Manufacture of garments	189,900	189,900	60,895	95.00 %	209,774	714	678	Subsidiary
Global	PT Starlight	Indonesia	Manufacture of garments	3,645	3,645	1,050	5.00 %	3,928	6,396	320	Subsidiary
Global	Makalot Cambodia	Cambodia	Manufacture of garments	107,139	107,139	1,000	100.00 %	(34,207)	(6,225)	(6,225)	Subsidiary
Global	Makalot Vietnam	Vietnam	Manufacture of garments	240,208	240,208	-	100.00 %	297,097	(15)	(15)	Subsidiary
Triple	Moha	Cambodia	Manufacture of garments	94,524	94,524	1,000	100.00 %	(10,108)	(5,635)	(5,635)	Subsidiary
Triple	Triple Vietnam	Vietnam	Manufacture of garments	81,171	81,171	-	100.00 %	87,678	(21,189)	(21,189)	Subsidiary
Triple	Top Trend	Samoa	Investment holding	266,960	171,600	8,400,000	100.00 %	168,351	1,974	1,974	Subsidiary
Top Trend	Leader Garment	Vietnam	Manufacture of garments	267,500	172,140	-	100.00 %	168,351	1,974	1,974	Subsidiary
Fortune Star	Fund Eagle	Hong Kong	Investment holding	-	-	-	100.00 %	-	-	-	Subsidiary
Fortune Star	Wintop	Hong Kong	Investment holding	277,755	316,170	9,070,000	100.00 %	198,748	139	139	Subsidiary
Fortune Star	Crown Era	Hong Kong	Investment holding	117,740	117,740	3,580,000	100.00 %	155,395	(5,111)	(5,111)	Subsidiary
Fortune Star	Crownway	Hong Kong	Investment holding	162,422	162,422	4,560,000	100.00 %	90,766	(15,282)	(15,282)	Subsidiary
Fortune Star	PT Starlight	Indonesia	Manufacture of garments	61,532	61,532	19,950	95.00 %	74,637	6,396	6,077	Subsidiary
Fortune Star	PT Glory	Indonesia	Manufacture of garments	12,094	12,094	3,205	5.00 %	11,041	714	36	Subsidiary
Wintop	Namtex	Vietnam	Wearing	270,979	270,979	-	50.00 %	156,460	(1,543)	(4,128)	The Company indirectly holds 50% of ownership
Ecolot	Top Shiny	Hong Kong	Investment holding	38,498	38,498	1,200,000	100.00 %	43,264	523	523	Subsidiary
Top Shiny	Texlot Company Limited (Texlot)	British Virgin Islands	Investment holding	-	24,413	-	- %	-	(3,567)	(245)	Associate

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MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Note : The aforementioned transactions between the Company and subsidiaries have been eliminated when preparing the consolidated financial statements.

Note 1: Investment gain or loss recognized in the current period included sales from subsidiaries to parent company.

(c) Information on investments in Mainland China:

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

(In thousands of New Taiwan Dollars)

Name of investee	Main businesses and products	Total amount of paid-in capital	Method of investment	Accumulated investment paid by Taiwan as of January 1, 2018	Investment flows		Accumulated investment paid by Taiwan as of June 30, 2018	Net income (losses) of the investee for 2016	Percentage of highest ownership	Investment income (losses)	Carrying value as of March 31, 2018	Accumulated remittance of earnings as of this year
					Outflow	Inflow						
CFY	Manufacture of garments	-	2	67,228 (Note 1)	-	-	67,228	-	- %	-	-	-
CMK	Manufacture of garments	27,033	2	65,448	-	38,415	27,033	2,671	100 %	2,671	40,561	14,378
CMZ	Manufacture of garments	117,740	2	117,740	-	-	117,740	(5,111)	100 %	(5,111)	155,386	7,304
CJY	Manufacture of garments	68,120	2	68,120	-	-	68,120	(5,659)	100 %	(5,659)	56,276	-
CJR	Manufacture of garments	94,302	2	94,302	-	-	94,302	(9,623)	100 %	(9,623)	34,475	-
CBS	Trade service	11,039	2	11,039	-	-	11,039	573	100 %	573	23,135	-

Note : There are three kinds of investments

1.Invest directly in Mainland China companies.

2.Invest in Mainland China by remitting through a third region.

3.Others.

Note 1: CFY was liquidated on August 9, 2017, the accumulated outflow of investment from Taiwan as of December 31, 2017 is including the amount of capital reduction for cover accumulated deficits.

(ii) Upper limit on investment in Mainland China:

Accumulated Investment in Mainland China as of June 30, 2018	Investment Amounts Authorized by Investment Commission, MOEA	Upper Limit on Investment
385,462	591,677	4,660,688

(iii) Significant transactions:

The significant inter-company transactions with the subsidiaries in Mainland China, which were eliminated in the preparation of consolidated financial statements, are disclosed in "Information on significant transactions".

MAKALOT INDUSTRIAL CO., LTD. AND SUBSIDIARIES
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(14) Segment information

The Groups operating segment information and reconciliation are as follows:

For the three months ended June 30, 2018		Selling and manufacturing of garments	Other segments	Adjustments and cancellation	Total
Revenue					
Revenue from external customers	$	4,617,606	447,634	-	5,065,240
Total revenue	$	4,617,606	447,634	-	5,065,240
Segment income or loss		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset		(Note 1)	(Note 1)	(Note 1)	(Note 1)

For the three months ended June 30, 2017		Selling and manufacturing of garments	Other segments	Adjustments and cancellation	Total
Revenue					
Revenue from external customers	$	4,455,332	231,659	-	4,686,991
Total revenue	$	4,455,332	231,659	-	4,686,991
Segment income or loss		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset		(Note 1)	(Note 1)	(Note 1)	(Note 1)

For the six months ended June 30, 2018		Selling and manufacturing of garments	Other segments	Adjustments and cancellation	Total
Revenue					
Revenue from external customers	$	9,652,822	543,506	-	10,196,328
Total revenue	$	9,652,822	543,506	-	10,196,328
Segment income or loss		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset		(Note 1)	(Note 1)	(Note 1)	(Note 1)

For the six months ended June 30, 2017		Selling and manufacturing of garments	Other segments	Adjustments and cancellation	Total
Revenue					
Revenue from external customers	$	9,865,547	352,646	-	10,218,193
Total revenue	$	9,865,547	352,646	-	10,218,193
Segment income or loss		(Note 1)	(Note 1)	(Note 1)	(Note 1)
Segment total asset		(Note 1)	(Note 1)	(Note 1)	(Note 1)

Note 1: The Group discloses the amounts as zero due to the fact that the amounts of its segment income or loss and total assets were not provided to the chief operating decision maker.