

**Nien Hsing Textile Co., Ltd. and
Subsidiaries**

**Consolidated Financial Statements for the
Years Ended December 31, 2009 and 2008 and
Independent Auditors' Report**

REPRESENTATION LETTER

The entities to be included in the combined financial statements of Nien Hsing Textile Co., Ltd. as of and for the year ended December 31, 2009, which have to be prepared in conformity with the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises, are the same as the entities included in the consolidated financial statements prepared in conformity with the revised R.O.C. Statement of Financial Accounting Standards No. 7, "Consolidated Financial Statements". In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Nien Hsing Textile Co., Ltd. and subsidiaries did not prepare a separate set of combined financial statements.

Very truly yours,

NIEN HSING TEXTILE CO., LTD.

By

CHAO-GUO, CHEN
Chairman

February 24, 2010

INDEPENDENT AUDITORS' REPORT

The Board of Directors and the Stockholders
Nien Hsing Textile Co., Ltd.

We have audited the accompanying consolidated balance sheets of Nien Hsing Textile Co., Ltd. and subsidiaries as of December 31, 2009 and 2008 and the related consolidated statements of income, changes in stockholders' equity and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audits, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial positions of Nien Hsing Textile Co., Ltd. and subsidiaries as of December 31, 2009 and 2008 and the results of their operations and their cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Report by Securities Issuers and accounting principles generally accepted in the Republic of China.

As disclosed in Note 3 to the consolidated financial statements, Nien Hsing Textile Co., Ltd. and subsidiaries adopted the newly revised SFAS No. 10, "Accounting for Inventories" on January 1, 2009. On January 1, 2008, Nien Hsing Textile Co., Ltd. and subsidiaries adopted Interpretation 2007-052 issued by the Accounting Research and Development Foundation of the Republic of China, which requires companies to record bonuses paid to employees, directors and supervisors as an expense rather than an appropriation from earnings.

February 24, 2010

Notice to Readers

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

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

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2009		2008		LIABILITIES AND STOCKHOLDERS' EQUITY	2009		2008	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 985,276	7	\$ 639,811	4	Short-term loans (Note 13)	\$ 159,370	1	\$ 1,411,141	10
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 21)	812	-	-	-	Hedging derivative liabilities - current (Notes 2 and 21)	8,030	-	-	-
Available-for-sale financial assets - current (Notes 2, 7 and 21)	407,333	3	27,024	-	Notes payable	173,331	1	137,951	1
Notes receivable (Note 2)	20,859	-	11,388	-	Accounts payable	346,287	3	571,337	4
Accounts receivable, net of allowance for doubtful accounts of \$141,276 thousand in 2009 and \$80,610 thousand in 2008 (Note 2)	1,508,812	10	1,584,073	11	Income tax payable (Notes 2 and 18)	126,954	1	97,280	1
Accounts receivable from related parties (Note 22)	927	-	2,526	-	Accrued expenses	491,883	3	460,506	3
Other financial assets - current	11,245	-	58,110	1	Accounts payable to related parties (Note 22)	23,001	-	-	-
Inventories, net (Notes 2, 3 and 6)	2,669,343	18	3,396,550	23	Current portion of long-term bank loans (Notes 14 and 23)	611,851	4	299,353	2
Deferred income tax assets - current (Notes 2 and 18)	39,610	-	67,888	1	Other current liabilities (Note 16)	98,377	1	59,348	-
Other current assets	244,231	2	251,781	2					
Total current assets	5,888,448	40	6,039,151	42	Total current liabilities	2,039,084	14	3,036,916	21
LONG-TERM INVESTMENTS (Notes 2, 7, 8, 9, 10, 21 and 22)					LONG-TERM LIABILITIES				
Available-for-sale financial assets - noncurrent	618,008	4	250,665	2	Bank loans, net of current portion (Notes 14 and 23)	323,960	2	598,706	4
Financial assets carried at cost - noncurrent	1,163,268	8	1,266,201	8	Hedging derivative liabilities - noncurrent (Notes 2 and 21)	-	-	15,869	-
Bond investments with no active market - noncurrent	362,553	3	-	-	Total long-term liabilities	323,960	2	614,575	4
Investments accounted for by the equity method	507,791	3	418,450	3	OTHER LIABILITIES				
Total long-term investments	2,651,620	18	1,935,316	13	Accrued pension cost (Notes 2 and 15)	239,813	2	230,059	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23)					Guarantee deposits received	858	-	853	-
Cost					Deferred income tax liabilities (Notes 2 and 18)	8,711	-	241,427	2
Land	415,045	3	417,383	3	Others	-	-	371	-
Land improvements	1,516	-	1,516	-	Total other liabilities	249,382	2	472,710	3
Buildings and equipment	3,543,778	24	3,141,932	22	Total liabilities	2,612,426	18	4,124,201	28
Machinery and equipment	6,321,750	43	6,137,287	42	STOCKHOLDERS' EQUITY				
Furniture and miscellaneous equipment	1,656,733	12	1,556,349	11	Capital stock of parent company - NT\$10.00 par value				
Total cost	11,938,822	82	11,254,467	78	Authorized - 600,000 thousand shares				
Less: Accumulated depreciation	6,151,541	42	5,517,016	38	Issued and outstanding - 590,643 thousand shares	5,906,431	40	5,906,431	41
	5,787,281	40	5,737,451	40	Capital surplus				
Constructions in progress and prepayments for equipment	150,934	1	623,766	4	Issue of stock in excess of par value	89	-	89	-
Net property, plant and equipment	5,938,215	41	6,361,217	44	Treasury stock transactions	5,952	-	-	-
INTANGIBLE ASSETS					Gain on disposal of property, plant and equipment	255	-	255	-
Deferred pension costs (Notes 2 and 15)	17,038	-	23,470	-	From business combination	378,574	3	378,574	3
Goodwill (Note 2)	10,207	-	13,284	-	Total capital surplus	384,870	3	378,918	3
Total intangible assets	27,245	-	36,754	-	Retained earnings				
OTHER ASSETS					Legal reserve	1,573,690	11	1,563,147	11
Refundable deposit	26,435	-	26,021	-	Unappropriated earnings	3,318,999	22	2,403,394	16
Deferred charges, net (Note 2)	125,130	1	111,257	1	Total retained earnings	4,892,689	33	3,966,541	27
Overdue receivables, net of allowance for uncollectible receivables of \$22,939 thousand (Notes 2 and 25)	-	-	29,400	-	Others				
Others (Note 12)	21,845	-	24,031	-	Cumulative translation adjustments	(80,971)	(1)	61,858	-
Total other assets	173,410	1	190,709	1	Unrealized gain on financial instruments	963,048	7	151,174	1
TOTAL	\$ 14,678,938	100	\$ 14,563,147	100	Treasury stock - 3,638 thousand shares	-	-	(26,280)	-
					Total others	882,077	6	186,752	1
					Minority interest	445	-	304	-
					Total stockholders' equity	12,066,512	82	10,438,946	72
					TOTAL	\$ 14,678,938	100	\$ 14,563,147	100

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

(With Deloitte & Touche audit report dated February 24, 2010)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2, 22 and 27)				
Sales	\$ 12,109,234	101	\$ 13,627,184	100
Less: Sales returns and allowances	<u>78,050</u>	<u>1</u>	<u>36,118</u>	<u>-</u>
Net sales	12,031,184	100	13,591,066	100
Processing income	<u>17,670</u>	<u>-</u>	<u>32,405</u>	<u>-</u>
Total operating revenues	<u>12,048,854</u>	<u>100</u>	<u>13,623,471</u>	<u>100</u>
OPERATING COSTS (Notes 2, 3, 6 and 19)				
Cost of goods sold	10,429,663	86	13,087,571	96
Processing cost	<u>17,192</u>	<u>-</u>	<u>30,393</u>	<u>-</u>
Total operating costs	<u>10,446,855</u>	<u>86</u>	<u>13,117,964</u>	<u>96</u>
GROSS PROFIT	<u>1,601,999</u>	<u>14</u>	<u>505,507</u>	<u>4</u>
OPERATING EXPENSES (Note 19)				
Selling expenses	596,700	5	569,064	4
Administrative expenses	235,382	2	258,845	2
Research and development expenses	<u>97,587</u>	<u>1</u>	<u>65,286</u>	<u>1</u>
Total operating expenses	<u>929,669</u>	<u>8</u>	<u>893,195</u>	<u>7</u>
OPERATING INCOME (LOSS)	<u>672,330</u>	<u>6</u>	<u>(387,688)</u>	<u>(3)</u>
NONOPERATING INCOME AND GAINS				
Interest income	10,942	-	23,168	-
Investment income recognized under the equity method (Notes 2 and 10)	59,836	1	-	-
Dividend income	17,943	-	22,703	-
Gain on disposal of property, plant and equipment (Note 2)	-	-	101,288	1
Gain on disposal of investments, net (Notes 2 and 10)	59,407	-	710,177	5
Exchange gain, net (Notes 2 and 5)	49,955	-	-	-
Refund of customs duties	317,324	3	237,189	2
Valuation gain on financial asset (Notes 2, 5 and 21)	812	-	-	-
Miscellaneous income (Notes 22 and 25)	<u>104,890</u>	<u>1</u>	<u>123,480</u>	<u>1</u>
Total nonoperating income and gains	<u>621,109</u>	<u>5</u>	<u>1,218,005</u>	<u>9</u>

(Continued)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2009 AND 2008

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2009		2008	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2 and 11)	\$ 39,384	-	\$ 65,041	-
Investment loss recognized under the equity method (Notes 2 and 10)	-	-	1,471	-
Loss on disposal of property, plant and equipment (Note 2)	4,895	-	-	-
Realized loss on long-term investments (Notes 2 and 8)	1,788	-	4,631	-
Exchange loss, net (Notes 2 and 5)	-	-	213,470	2
Loss on work stoppages	983	-	86,474	1
Impairment loss (Notes 2, 7, 8 and 11)	7,022	-	257,168	2
Miscellaneous expenses (Note 19)	<u>70,197</u>	<u>1</u>	<u>171,616</u>	<u>1</u>
Total nonoperating expenses and losses	<u>124,269</u>	<u>1</u>	<u>799,871</u>	<u>6</u>
INCOME BEFORE INCOME TAX	1,169,170	10	30,446	-
INCOME TAX BENEFIT (Notes 2 and 18)	<u>52,449</u>	<u>-</u>	<u>74,984</u>	<u>1</u>
NET CONSOLIDATED INCOME	<u>\$ 1,221,619</u>	<u>10</u>	<u>\$ 105,430</u>	<u>1</u>
NET INCOME ATTRIBUTED TO:				
Stockholders of parent company	\$ 1,221,469	10	\$ 105,426	1
Minority interest	<u>150</u>	<u>-</u>	<u>4</u>	<u>-</u>
	<u>\$ 1,221,619</u>	<u>10</u>	<u>\$ 105,430</u>	<u>1</u>
	2009		2008	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 20)				
Basic (New Taiwan dollars)	<u>\$ 1.90</u>	<u>\$ 2.07</u>	<u>\$ 0.04</u>	<u>\$ 0.18</u>
Diluted (New Taiwan dollars)	<u>\$ 1.90</u>	<u>\$ 2.07</u>	<u>\$ 0.04</u>	<u>\$ 0.18</u>

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

(With Deloitte & Touche audit report dated February 24, 2010)

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)**

	Capital Stock Issued and Outstanding		Capital Surplus (Notes 2, 16 and 17)				Retained Earnings (Notes 2 and 16)		Cumulative Translation Adjustment (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Note 2)	Treasury Stock (Notes 2 and 17)	Minority Interest	Total Stockholders' Equity
	Thousand Shares	Amount	Issue of Stock in Excess of Par Value	Treasury Stock Transaction	Gain on Disposal of Property, Plant and Equipment	From Business Combination	Legal Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2008	598,369	\$ 5,983,691	\$ 90	\$ -	\$ 255	\$ 377,898	\$ 1,436,287	\$ 3,342,610	\$ (16,461)	\$ 1,248,240	\$ -	\$ 1,063	\$ 12,373,673
Appropriation of the 2007 earnings													
Legal reserve	-	-	-	-	-	-	126,860	(126,860)	-	-	-	-	-
Cash dividends - NT\$1.5 per share	-	-	-	-	-	-	-	(897,554)	-	-	-	-	(897,554)
Remuneration to directors and supervisors	-	-	-	-	-	-	-	(9,100)	-	-	-	-	(9,100)
Bonus to employees	-	-	-	-	-	-	-	(9,200)	-	-	-	-	(9,200)
Acquisition of treasury stock -11,364 thousand shares	-	-	-	-	-	-	-	-	-	(110,420)	-	-	(110,420)
Retirement of treasury stock -7,726 thousand shares	(7,726)	(77,260)	(1)	-	-	(4,951)	-	(1,928)	-	84,140	-	-	-
Net consolidated income for the year ended December 31, 2008	-	-	-	-	-	-	-	105,426	-	-	-	4	105,430
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(948,623)	-	-	(948,623)
Adjustment recognized on equity-method investments	-	-	-	-	-	5,627	-	-	(51,390)	(131,610)	-	-	(177,373)
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	(16,833)	-	-	(16,833)
Adjustment on changes in minority interest	-	-	-	-	-	-	-	-	-	-	(763)	-	(763)
Change in translation adjustment	-	-	-	-	-	-	-	-	129,709	-	-	-	129,709
BALANCE, DECEMBER 31, 2008	590,643	5,906,431	89	-	255	378,574	1,563,147	2,403,394	61,858	151,174	(26,280)	304	10,438,946
Appropriation of the 2008 earnings (Note 3)													
Legal reserve	-	-	-	-	-	-	10,543	(10,543)	-	-	-	-	-
Cash dividends - NT\$0.5 per share	-	-	-	-	-	-	-	(295,321)	-	-	-	-	(295,321)
Acquisition of treasury stock 93 thousand shares	-	-	-	-	-	-	-	-	-	-	(744)	-	(744)
Transfer of treasury stock to employees - 3,731 thousand shares	-	-	-	5,952	-	-	-	-	-	-	27,024	-	32,976
Net consolidated income for the year ended December 31, 2009	-	-	-	-	-	-	-	1,221,469	-	-	-	150	1,221,619
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	367,343	-	-	367,343
Adjustment recognized on equity-method investments	-	-	-	-	-	-	-	-	(3,815)	436,692	-	-	432,877
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	7,839	-	-	7,839
Adjustment on changes in minority interest	-	-	-	-	-	-	-	-	-	-	-	(9)	(9)
Change in translation adjustment	-	-	-	-	-	-	-	-	(139,014)	-	-	-	(139,014)
BALANCE, DECEMBER 31, 2009	590,643	\$ 5,906,431	\$ 89	\$ 5,952	\$ 255	\$ 378,574	\$ 1,573,690	\$ 3,318,999	\$ (80,971)	\$ 963,048	\$ -	\$ 445	\$ 12,066,512

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

(With Deloitte & Touche audit report dated February 24, 2010)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Net consolidated income	\$ 1,221,619	\$ 105,430
Adjustment to reconcile net consolidated income to net cash provided by operating activities:		
Depreciation and amortization	874,942	842,693
Provision for doubtful accounts	88,433	26,700
Compensation cost of employee stock options	6,047	-
Provision (reversal of provision) for loss on inventories	(68,153)	26,676
Net gains on disposal of investments	(59,407)	(710,177)
Realized loss on long-term investments	1,788	4,631
Cash dividends received from equity-method investees	7,207	68,271
Investment loss (income) recognized under the equity method	(59,836)	1,471
Loss (gain) on disposal of property, plant and equipment	4,895	(101,288)
Valuation gain on financial instruments	(812)	-
Impairment losses on financial and fixed assets	7,022	257,168
Amortization of premium on bond investments with no active market	172	-
Provision for pension costs	16,186	3,208
Deferred income taxes	(204,438)	(192,308)
Other income	(887)	-
Net changes in operating assets and liabilities:		
Notes receivable	(9,471)	(3,154)
Accounts receivable	12,723	401,831
Accounts receivables from related parties	1,599	3,008
Other financial assets	46,865	(2,989)
Inventories	795,360	397,805
Other current assets	7,550	55,941
Goodwill	3,077	2,742
Notes payable	35,380	(2,642)
Accounts payable	(225,050)	51,919
Income tax payable	29,674	(15,333)
Accrued expenses	31,377	9,578
Accounts payable to related parties	23,001	-
Other current liabilities	27,601	(67,194)
Other liabilities	(371)	371
Net cash provided by operating activities	<u>2,614,093</u>	<u>1,164,358</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	86,087	838,298
Proceeds from disposal of financial assets carried at cost	5,403	10,040
Return of capital on financial assets carried at cost	25,988	11,977
Acquisition of financial assets carried at cost	(34,607)	(158,748)
Acquisition of bond investments with no active market	(366,739)	-

(Continued)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
Return of capital on investments accounted for by the equity method	\$ 58,304	\$ 33,637
Acquisition of investments accounted for by the equity method	-	(35,355)
Proceeds from disposal of investments accounted for by the equity method	27,273	7,972
Acquisition of property, plant and equipment	(446,936)	(1,172,608)
Proceeds from disposal of property, plant and equipment	2,679	276,846
Decrease in overdue receivable	3,505	-
Decrease (increase) in refundable deposits	(414)	22,487
Increase in deferred charges	(98,648)	(74,671)
Decrease in other assets	<u>2,186</u>	<u>13,747</u>
Net cash used in investing activities	<u>(735,919)</u>	<u>(226,378)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in short-term loans	(1,251,771)	(252,900)
Proceeds from long-term bank loans	337,105	419,292
Repayments of long-term bank loans	(299,353)	(299,928)
Increase in guarantee deposits received	5	403
Capital return to minority interest	-	(766)
Transfer of treasury stock to employees	26,929	-
Cash paid for acquisition of treasury stock	(744)	(110,420)
Cash dividends paid	(295,321)	(897,554)
Cash bonus to employees and remuneration to directors and supervisors	<u>-</u>	<u>(18,300)</u>
Net cash used in financing activities	<u>(1,483,150)</u>	<u>(1,160,173)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(49,559)</u>	<u>88,092</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	345,465	(134,101)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>639,811</u>	<u>773,912</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 985,276</u>	<u>\$ 639,811</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 41,824	\$ 68,791
Less: Interest capitalized	<u>1,700</u>	<u>3,970</u>
Net interest paid excluding capitalized interest	<u>\$ 40,124</u>	<u>\$ 64,821</u>
Income tax paid	<u>\$ 122,318</u>	<u>\$ 132,752</u>

(Continued)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2009 AND 2008 (In Thousands of New Taiwan Dollars)

	2009	2008
NONCASH OPERATING, INVESTING AND FINANCING ACTIVITIES		
Accounts receivable reclassified to overdue receivable	\$ -	\$ 52,339
Allowance for uncollectible overdue receivable	<u>-</u>	<u>(22,939)</u>
Net of accounts receivable reclassified to overdue receivable	<u>\$ -</u>	<u>\$ 29,400</u>
Financial assets carried at cost reclassified to available-for-sale financial assets - current	<u>\$ 52,357</u>	<u>\$ -</u>
Financial assets carried at cost reclassified to investments accounted for by the equity method	<u>\$ 31,596</u>	<u>\$ -</u>
Property, plant and equipment reclassified to deferred charges	<u>\$ 3,191</u>	<u>\$ -</u>
Current portion of long-term bank loans	<u>\$ 611,851</u>	<u>\$ 299,353</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of property, plant and equipment	\$ 458,364	\$ 1,143,054
Decrease (increase) in payables for equipment purchased	<u>(11,428)</u>	<u>29,554</u>
Cash paid for the acquisition of property, plant and equipment	<u>\$ 446,936</u>	<u>\$ 1,172,608</u>

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

(With Deloitte & Touche audit report dated February 24, 2010)

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2009 AND 2008

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

1. ORGANIZATION AND OPERATIONS

Nien Hsing Textile Co., Ltd. (the “Company”) was established in 1986. It is listed on the Taiwan Stock Exchange. The Company spins cotton into yarns and weaves, dyes, and sells fabrics and cloths.

The Company and Chih Hsing Textile Co., Ltd. merged effective July 1, 2000, with the Company as the survivor entity.

To integrate internal resources, lower operating costs and enhance the Company and subsidiaries’ (also referred to as the “Group”) competitiveness, the Company modified on January 1, 2005 the business model by controlling the management of the sewing and dyeing departments of Chao Hsing Textile Co., Ltd. and Nien Hsing International (Bermuda) Ltd.

To simplify the group structure, the Company acquired all the shares of Chu Hsing Garment (Cambodia) Co., Ltd. and Chentex Garment Co., Ltd. from a subsidiary Chu Hsing Garment Co., Ltd. at net asset values in May 2008.

To respond to the need for upgraded operations, the Company adjusted the investment structure of overseas holding companies in November 2009 and modified on January 1, 2010 the business model by controlling the management of the spinning and weaving departments of Nien Hsing International (Bermuda) Ltd. based in Lesotho.

The Company’s subsidiaries were as follows:

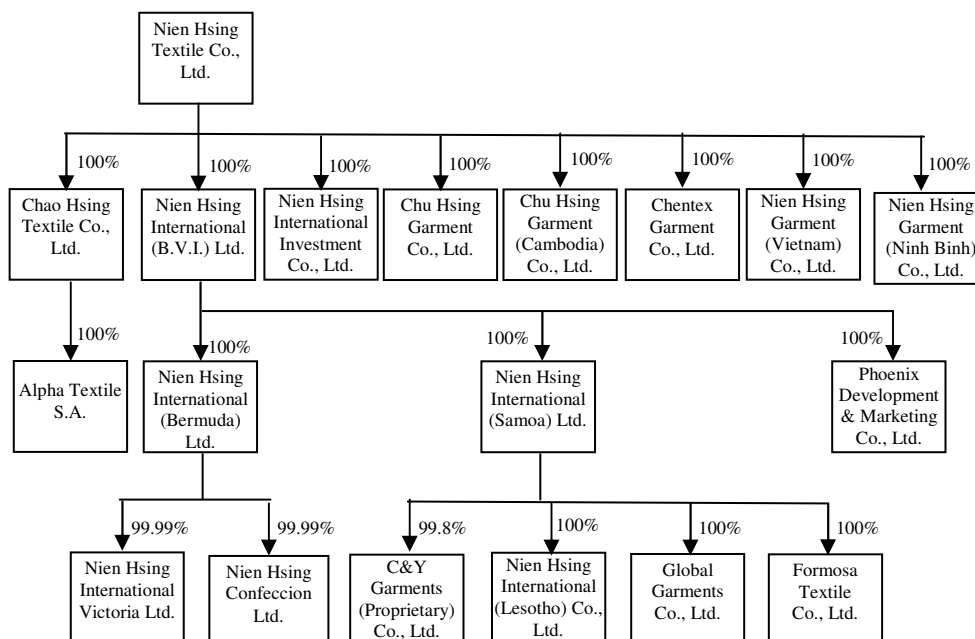
- a. Chao Hsing Textile Co., Ltd. - established in 1998. Its main operation is engaging in purchase in the materials of fabrics and clothes.
- b. Nien Hsing International (Managua) S.A. - established in 1993 in Nicaragua. It sews jeans for the Company. To respond to the requirements of the tax authorities in Nicaragua, the Company closed the operations of Nien Hsing International (Managua) S.A. in June 2004 and established Nien Hsing Garment (Managua) S.A. to maintain ordinary operations. The Company closed the operations of Nien Hsing Garment (Managua) S.A. on September 30, 2008.
- c. Chentex Garment S.A. - established in 1995 in Nicaragua. It sews jeans for the Company. To respond to the requirements of the tax authorities in Nicaragua, the Company closed the operations of Chentex Garment S.A. in June 2005 and established Henry Garment S.A. to maintain ordinary operations. The Company closed the operations of Henry Garment S.A. on July 31, 2008.
- d. Chih Hsing Garment (Managua) S.A. - established in 1997 in Nicaragua. It sews jeans for the Company. To respond to the requirements of the tax authorities in Nicaragua, the Company established Richard Garment S.A. in October 2007 to take over the ordinary operation of Chih Hsing Garment (Managua) S.A. Chih Hsing Garment (Managua) S.A. closed and liquidated in January 2008. The Company closed the operations of Richard Garment S.A. on December 31, 2008.
- e. Nien Hsing International (B.V.I.) Ltd. - established in 1996 in the British Virgin Islands. It is a holding company.

- f. Nien Hsing International Investment Co., Ltd. - established in 2002 as an investment company.
- g. Chu Hsing Garment Co., Ltd. - established in 1971, it manufactures and sells fabrics and clothes.
- h. Chu Hsing Garment (Cambodia) Co., Ltd. - established in 1996 in Cambodia, it sews jeans for Chu Hsing Garment Co., Ltd.
- i. Chentex Garment Co., Ltd. - established in 2005 in Cambodia, it sews jeans for Chu Hsing Garment Co., Ltd.
- j. Nien Hsing Garment (Vietnam) Co., Ltd. - established in March 2007 in Vietnam. It sews jeans for the Company.
- k. Nien Hsing Garment (Ninh Binh) Co., Ltd. - established in April 2008 in Vietnam. It is still under construction and will sew apparel for the Company in the future.
- l. Chao Hsing International (Managua) S.A. - established in 1999 in Nicaragua. It sews leisure clothes for the Company. The Company closed the operations of Chao Hsing International (Managua) S.A. on November 30, 2008.
- m. John Garment, S.A. - established in 2000 in Nicaragua. It sews leisure clothes for the Company. The Company closed the operations of John Garment, S.A. on November 30, 2008.
- n. Alpha Textile S.A. - established in 2001 in Nicaragua. It dyes work clothes for the Company.
- o. Nien Hsing International (Bermuda) Ltd. - established in 1997 in Bermuda. It manufactures and sells jeans. To respond to the modification on Group structure, Nien Hsing International (Bermuda) Ltd. sold some of its long-term investments and property, plant and equipment to Nien Hsing International (Samoa) Ltd. and some long-term investments to Phoenix Development & Marketing Co., Ltd. in November 2009. When Nien Hsing International (Bermuda) Ltd. became a holding company on January 1, 2010, it transferred the management of the spinning and weaving departments in Lesotho to the Company and that in Mexico to Phoenix Development & Marketing Co., Ltd.
- p. Nien Hsing International (Samoa) Ltd. - established in November 2009. It is a holding company.
- q. Phoenix Development & Marketing Co., Ltd. - established in November 2009 in Samoa. It is a holding company, which started to sell jeans on January 1, 2010.
- r. Nien Hsing International Victoria Ltd. - established in 1997 in Mexico. Its operations included manufacturing jeans for Nien Hsing International (Bermuda) Ltd. It switched to the manufacturing of jeans for Phoenix Development & Marketing Co., Ltd. on January 1, 2010.
- s. Nien Hsing Confeccion Ltd. - established in 1999 in Mexico. It sews jeans for the Company.
- t. C&Y Garments (Proprietary) Co., Ltd. - established in 1990 in Lesotho. It sews jeans for the Company.
- u. Nien Hsing International (Lesotho) Co., Ltd. - established in 2000 in Lesotho. It sews jeans for the Company.
- v. Global Garments Co., Ltd. - established in 2000 in Lesotho. It sews jeans for the Company.
- w. Formosa Textile Co., Ltd. - established in 2000 in Lesotho. It manufactured jeans for Nien Hsing International (Bermuda) Ltd., and switched to the dyeing of jeans for the Company since January 1, 2010.

- x. Rontex Apparel (CAM) Co., Ltd. - established in 2006 in Cambodia, it sews leisure clothes for the Company. It closed and was liquidated on December 31, 2008.
- y. Chu Hsing Garment (Vietnam) Co., Ltd. - established in 1994 in Vietnam. It sews jeans for Chu Hsing Garment Co., Ltd. It closed and was liquidated in January 2008.

The Company and its subsidiaries had 20,430 and 20,718 employees as of December 31, 2009 and 2008, respectively.

The diagram below shows the Company's parent-subsiary structure and holding percentages as of December 31, 2009.



2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China ("ROC"). Under these guidelines and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, pension cost, income tax, bonuses to employees, remuneration to directors and supervisors, etc. Actual results may differ from these estimates.

For readers' convenience, the accompanying consolidated financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

Significant accounting policies are summarized as follows:

Consolidation

The accompanying consolidated financial statements include the accounts of all directly and indirectly majority owned subsidiaries of the Company. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities for 2009 and 2008 include the Company, Chao Hsing Textile Co., Ltd., Nien Hsing Garment (Managua) S.A. (the Company closed and liquidated its operations in September 2008), Henry Garment S.A. (the Company closed and liquidated its operations in July 2008), Richard Garment S.A. (the Company closed its operations on December 31, 2008), Chih Hsing Garment (Managua) S.A. (it closed and was liquidated in January 2008), Nien Hsing International (B.V.I.) Ltd., Nien Hsing International Investment Co., Ltd., Chu Hsing Garment Co., Ltd., Chu Hsing Garment (Cambodia) Co., Ltd., Chentex Garment Co., Ltd., Nien Hsing Garment (Vietnam) Co., Ltd., Nien Hsing Garment (Ninh Binh) Co., Ltd., Chao Hsing International (Managua) S.A. (the Company closed and liquidated its operations in December 2008), John Garments S.A. (the Company closed and liquidated its operations in December 2008), Alpha Textile S.A., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., Phoenix Development & Marketing Co., Ltd., Nien Hsing International Victoria Ltd., Nien Hsing Confeccion Ltd., C&Y Garments (Proprietary) Co., Ltd., Nien Hsing International (Lesotho) Co., Ltd., Global Garments Co., Ltd., Formosa Textile Co., Ltd., Rontex Apparel (CAM) Co., Ltd. (it closed and was liquidated in December 2008) and Chu Hsing Garment (Vietnam) Co., Ltd. (it closed and was liquidated in January 2008).

The accounts and financial statements of consolidated foreign subsidiaries are prepared in their respective functional currencies. For consolidation purposes, these financial statements are translated into New Taiwan dollars at the following foreign exchange rates: (a) assets and liabilities - prevailing exchange rates on the balance sheet dates, (b) stockholders' equity - historical rates, and (c) profit and loss accounts - weighted-average rates of the year. Translation differences are recognized as cumulative foreign-currency translation adjustments in the stockholders' equity section of the balance sheet.

The entities to be included in the combined financial statements of affiliation reports of Nien Hsing Textile Co., Ltd. and its subsidiaries as of and for the year ended December 31, 2009 are the same as the entities included in the consolidated financial statements for the same reporting period. In addition, the information needed to be disclosed in the combined financial statements is included in the consolidated financial statements. Thus, Nien Hsing Textile Co., Ltd. and its subsidiaries did not prepare a separate set of combined financial statements.

Current and Noncurrent Assets and Liabilities

Current assets include cash and cash equivalents, and those assets held primarily for trading purposes or to be realized, sold or consumed within one year from the balance sheet date. All other assets such as property, plant and equipment and intangible assets are classified as noncurrent. Current liabilities are obligations incurred for trading purposes or to be settled within one year from the balance sheet date. All other liabilities are classified as noncurrent.

Cash Equivalents

Cash equivalents, consisting of commercial paper and repurchase agreements collateralized by bonds, are highly liquid financial instruments with maturities of three months or less when acquired and with carrying amounts that approximate their fair values.

Financial Assets and Liabilities at Fair Value through Profit or Loss

Financial instruments classified as financial assets or financial liabilities at fair value through profit or loss ("FVTPL") include financial assets or financial liabilities held for trading and those designated as at FVTPL on initial recognition. The Group recognizes a financial asset or a financial liability on its balance sheet when the Group becomes a party to the contractual provisions of a financial instrument. A financial asset is derecognized when the Company or its subsidiaries has lost control of its contractual rights over the financial asset. A financial liability is derecognized when the obligation specified in the relevant contract is discharged, cancelled or expired.

Financial instruments at FVTPL are initially measured at fair value. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognized immediately in profit or loss. At each balance sheet date subsequent to initial recognition, financial assets or financial liabilities at FVTPL are remeasured at fair value, with changes in fair value recognized directly in profit or loss in the year in which they arise. On derecognition of a financial asset or a financial liability, the difference between its carrying amount and the sum of the consideration received and receivable or consideration paid or payable is recognized in profit or loss. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

A derivative that does not meet the criteria for hedge accounting is classified as a financial asset or a financial liability held for trading. If the fair value of the derivative is positive, the derivative is recognized as a financial asset; otherwise, the derivative is recognized as a financial liability.

Fair values of financial assets and financial liabilities at the balance sheet date are determined as follows: publicly traded stocks - at closing prices, and financial assets and financial liabilities without quoted prices in an active market - at values determined using valuation techniques.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular way purchases or sales of financial assets are recognized and derecognized on a settlement date basis.

The recognition and derecognition and the value basis of available-for-sale financial assets are the same with those of financial assets at FVTPL.

Cash dividends are recognized on the ex-dividend date, except for dividends distributed from the pre-acquisition profit, which are treated as a reduction of investment cost. Stock dividends are not recognized as investment income but are recorded as an increase in the number of shares. The total number of shares subsequent to the increase is used for recalculation of cost per share.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity.

Revenue Recognition, Account Receivables and Allowance for Doubtful

Revenue from sales of goods is recognized when the Company and its subsidiaries has transferred to the buyer the significant risks and rewards of ownership of the goods, because the earnings process has been completed and the economic benefits associated with the transaction have been realized or are realizable. The Company and its subsidiaries do not recognize sales revenue on materials delivered to subcontractors because this delivery does not involve a transfer of risks and rewards of materials ownership.

Revenue is measured at the fair value of the consideration received or receivable and represents amounts agreed between the Company and the customers for goods sold in the normal course of business, net of sales discounts and volume rebates. For trade receivables due within one year from the balance sheet date, as the nominal value of the consideration to be received approximates its fair value and transactions are frequent, fair value of the consideration is not determined by discounting all future receipts using an imputed rate of interest.

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company and its subsidiaries assess the probability of collections of accounts receivable by examining the aging analysis of the outstanding receivables.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process. Before January 1, 2009, inventories were stated at the lower of cost or market value (replacement cost or net realizable value). Any write-down was made on a total-inventory basis. Market value meant replacement cost for raw materials and supplies and net realizable value for finished goods and work in process. As stated in Note 3, effective January 1, 2009, inventories are stated at the lower of cost or net realizable value. Inventory write-downs are made by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale.

Financial Assets Carried at Cost

Investments in equity instruments with no quoted prices in an active market and with fair values that cannot be reliably measured, such as non-publicly traded stocks and stocks traded in the Emerging Stock Market, are measured at their original cost. The accounting treatment for dividends on financial assets carried at cost is the same as that for dividends on available-for-sale financial assets. An impairment loss is recognized when there is objective evidence that the asset is impaired. A reversal of this impairment loss is disallowed.

Bond Investments with No Active Market

Bond investments with fixed or determinable payments and with no quoted prices in an active market are carried at amortized cost using the effective interest method without restriction on the timing of disposal. Bond investments with no active market are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. Profit or loss is recognized when the financial assets are derecognized, impaired or amortized. All regular way purchases or sales of financial assets are accounted for using a trade date basis.

An impairment loss is recognized when there is objective evidence that the investment is impaired. The impairment loss is reversed if an increase in the investment's recoverable amount is due to an event which occurred after the impairment loss was recognized; however, the adjusted carrying amount of the investment may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the investment in prior years.

Investments Accounted for by the Equity Method

Investments in which the Company and its subsidiaries hold 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

Under the equity method, the acquisition cost is analyzed, and the acquisition cost in excess of the Company's share of the fair value of the identifiable net assets acquired is recognized as goodwill. Such goodwill is not amortized but instead is tested for impairment annually or whenever there are indications that the investments are impaired. The excess of the Company's share of the fair value of the net identifiable assets acquired over the cost of acquisition is used to reduce the fair value of each of the noncurrent assets acquired (except for financial assets other than investments accounted for by the equity method, deferred income tax assets or other postretirement benefit) in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain. Effective January 1, 2006, the accounting treatment for the unamortized investment premium arising on acquisitions before January 1, 2006 is the same as that for goodwill and the premium is no longer being amortized. For any investment discount arising on acquisitions before January 1, 2006, the unamortized amount continues to be amortized over the remaining year.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

When the Company's share in losses of an equity-method investee equals its investment in that investee plus any advances made to the investee, the Company discontinues applying the equity method. The Company continues to recognize its share in the investee's losses at the percentage of its equity in the investee if the Company commits to provide further financial support to the investee or the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

When an indication of impairment is identified in an investment, the carrying amount of the investment is reduced, with the related impairment loss charged to current income. For long term equity investments on which the Company has significant influence but has no controlling interests, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for impairment testing.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings. If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings.

Depreciation is provided on a straight-line basis over estimated useful lives as follows (plus one year to represent estimated salvage value): land improvements - 3 to 4 years; buildings - 3 to 60 years; machinery and equipment - 3 to 11; and furniture and miscellaneous equipment - 2 to 20 years. Property, plant and equipment that have reached their full residual values but are still being used by the Company and subsidiaries are depreciated over their newly estimated service lives.

The related cost and accumulated depreciation of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Deferred Charges

Deferred charges refer to the components of spinning and weaving machinery, which are initially recorded at acquisition cost and are amortized on a straight-line basis over two to three years.

Pension Costs

Pension cost under a defined benefit plan of the Company and Chu Hsing Garment Co., Ltd. is determined by actuarial valuations. Contributions made under a defined contribution plan of the Company and Chu Hsing Garment Co., Ltd. are recognized as pension cost during the year in which employees render services.

Curtailment or settlement gains or losses on the defined benefit plan are recognized as part of the net pension cost for the year.

The other subsidiaries have no pension plans.

Treasury Stock

Treasury stock is stated at cost and shown as a deduction in stockholders' equity.

When the Company's treasury stock is retired, the treasury stock account should be credited, and the capital surplus - issue of stock in excess of par value and capital stock account should be debited proportionately according to the share ratio. An excess of the carrying value of treasury stock over the sum of its par value and premium on stock first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings. An excess of the sum of the par value and premium on stock of treasury stock over its carrying value should be credited to capital surplus from the same class of treasury stock transactions.

When treasury stocks are sold, if the selling price is above the book value, the difference should be credited to the capital surplus - from treasury stock transactions account. If the selling price is below the book value, the difference should first be offset against capital surplus from the same class of treasury stock transactions, and the remainder, if any, debited to retained earnings.

Income Tax

The Company and its subsidiaries apply the inter-year allocation method to its income tax, whereby deferred income tax assets and liabilities are recognized for the tax effects of temporary differences, unused loss carryforward and unused tax credits. Valuation allowances are provided to the extent, if any, that it is more likely than not that deferred income tax assets will not be realized. A deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of its related asset or liability. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, then it is classified as either current or noncurrent based on the expected length of time before it is realized or settled.

Tax credits for purchases of machinery, equipment and technology, research and development expenditures, and personnel training expenditures are recognized using the flow-through method.

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

According to the Income Tax Law, an additional tax at 10% of unappropriated earnings is provided for as income tax in the year the stockholders approve to retain the earnings.

Foreign Currency

Non-derivative foreign-currency transactions are recorded in bookkeeping currency at the rates of exchange in effect when the transactions occur. Exchange differences arising from settlement of foreign-currency assets and liabilities are recognized in profit or loss.

At the balance sheet date, foreign-currency monetary assets and liabilities are revalued using prevailing exchange rates and the exchange differences are recognized in profit or loss.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences treated as follows:

- a. Recognized in stockholders' equity if the changes in fair value are recognized in stockholders' equity;
- b. Recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

If the functional currency of an equity-method investee is a foreign currency, translation adjustments will result from the translation of the investee's financial statements into the reporting currency of the Company. Such adjustments are accumulated and reported as a separate component of stockholders' equity.

Hedging Derivative Financial Instruments

Derivatives that qualify as effective hedging instruments are measured at fair value, with subsequent changes in fair value recognized either in profit or loss, or in stockholders' equity, depending on the nature of the hedging relationship.

Hedge Accounting

Hedge accounting recognizes the offsetting effects on profit or loss of changes in the fair values of the hedging instrument and the hedged item. For a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized in stockholders' equity. The amount recognized in stockholders' equity is recognized in profit or loss in the same year or years during which the hedged forecast transaction or an asset or liability arising from the hedged forecast transaction affects profit or loss. However, if all or a portion of a loss recognized in stockholders' equity is not expected to be recovered in the future, the amount that is not expected to be recovered is reclassified into profit or loss.

Reclassifications

Certain accounts in the financial statements as of and for the year ended December 31, 2008 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2009.

3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES

Accounting for Inventories

On January 1, 2009, the Company and its subsidiaries adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 10 - "Inventories". The main revisions are (1) inventories are stated at the lower of cost or net realizable value, and inventories are written down to net realizable value by item, except when the grouping of similar or related items is appropriate; (2) unallocated overheads are recognized as expenses in the period in which they are incurred; and (3) abnormal costs, write-downs of inventories and any reversal of write-downs are recorded as cost of goods sold for the period. This accounting change had no material effect on net consolidated income for the year ended December 31, 2009. For comparison purposes, the Company and its subsidiaries also reclassified nonoperating income and gains of \$137,491 thousand and nonoperating expenses and losses of \$48,492 thousand to cost of goods sold for the year ended December 31, 2008 (refer to Note 6).

Accounting for Bonuses to Employees, Directors and Supervisors

In March 2007, the Accounting Research and Development Foundation issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. This accounting change resulted in decreases of \$9,150 thousand in net consolidated income and of NT\$0.02 in after income tax basic earnings per share for 2008.

4. CASH AND CASH EQUIVALENTS

	2009	2008
Cash on hand	\$ 15,918	\$ 14,805
Bank deposits		
Checking accounts and demand deposits	26,267	74,030
Foreign-currency checking accounts and demand deposits	818,894	540,505
Time deposits - 2009: 3.5% interest rate; 2008: 1.1%-10.8% interest rate	29,224	10,471
Cash equivalents		
Short-term notes and bills with repurchase agreements, 0.2% yield rate	<u>94,973</u>	<u>-</u>
	<u>\$ 985,276</u>	<u>\$ 639,811</u>

5. FINANCIAL INSTRUMENTS AT FVTPL - CURRENT

Financial instruments classified as held for trading were as follows:

	December 31, 2009
<u>Financial assets held for trading - current</u>	
Forward exchange contracts	\$ -
Adjustment due to contract valuation	<u>812</u>
	<u>\$ 812</u>

The Company and Nien Hsing International (Bermuda) Co., Ltd. (a subsidiary) used forward exchange contracts in 2009 and 2008 to manage exposures due to exchange rate fluctuations. The financial risk management objective of the Company and Nien Hsing International (Bermuda) Co., Ltd. is to minimize risks due to changes in fair value or cash flows.

There were no outstanding forward exchange contracts as of December 31, 2008.

Outstanding forward exchange contracts as of December 31 2009 were as follows:

	Currency	Maturity Date	Contract Amount (In Thousands)
<u>December 31, 2009</u>			
Sell	US\$/NT\$	2010.01.25-2010.04.26	US\$5,000/NT\$161,266

On financial assets held for trading, there were net losses of \$2,704 thousand in 2009 and net gains of \$2,003 thousand in 2008.

6. INVENTORIES

	2009	2008
Raw materials	\$ 1,198,493	\$ 1,787,387
Work in process	960,293	1,173,185
Finished goods	296,738	350,946
Raw materials in transit	205,383	74,463
Supplies	<u>8,436</u>	<u>10,569</u>
	<u>\$ 2,669,343</u>	<u>\$ 3,396,550</u>

As of December 31, 2009 and 2008, the allowances for inventory devaluation were \$35,397 thousand and \$103,246 thousand, respectively.

The cost of inventories recognized as cost of goods sold in 2009 was \$10,429,663 thousand, which included the reversal of inventory write-down of \$68,153 thousand; gain on physical inventories of \$15,679 thousand; and scrap sales of \$96,651 thousand; The cost of inventories recognized as cost of goods sold in 2008 was \$13,087,571 thousand, which included the inventory write-down of \$26,676 thousand; loss on physical inventories of \$21,816 thousand; and scrap sales of \$137,491 thousand.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2009		2008	
	Current	Noncurrent	Current	Noncurrent
Domestic listed and OTC stocks	\$ 404,535	\$ 618,008	\$ 25,591	\$ 250,665
Overseas listed and OTC stocks	<u>2,798</u>	<u>-</u>	<u>1,433</u>	<u>-</u>
	<u>\$ 407,333</u>	<u>\$ 618,008</u>	<u>\$ 27,024</u>	<u>\$ 250,665</u>

The Company assessed the market value of Roo Hsing Co., Ltd. and recognized an impairment loss of \$67,741 thousand in 2008, which was recorded under nonoperating expenses and losses.

8. FINANCIAL ASSETS CARRIED AT COST

	2009	2008
Domestic emerging market common stocks	\$ 154,360	\$ 206,717
Domestic unquoted common stocks	222,278	211,442
Overseas unquoted common stocks	202,412	253,831
Other funds	<u>584,218</u>	<u>594,211</u>
	<u>\$ 1,163,268</u>	<u>\$ 1,266,201</u>

The above investments, which had no quoted prices in an active market and of which fair values cannot be reliably measured, were carried at cost.

Visco Vision Inc., in which the investment was carried at cost, decreased capital to offset a deficit in 2009. Thus, the Company and subsidiaries recognized realized loss of \$1,788 thousand on long-term investments. The recoverable amount of the investment in Tzero Technologies, Inc., which was carried at cost, was estimated to be less than its carrying amount. Thus, the Company and subsidiaries recognized an impairment loss of \$7,022 thousand in 2009.

Allen Precision Industries and TopRay Technologies Inc., in which investments were carried at cost, decreased capital to offset a deficit in 2008; thus, the Company and subsidiaries recognized realized losses on long-term investments of \$2,580 thousand and \$2,051 thousand, respectively. In 2008, the Company and Chao Hsing Textile Co., Ltd. (a subsidiary) recognized an impairment loss of \$31,938 thousand on Ultra Chip Inc., in which the investment was carried at cost. They also recognized an investment impairment loss of a total of \$87,361 thousand on Skypola Co., Ltd., Jwave Tech. Inc., Paragon Wireless Inc., DigiMedia Technologies Co., Ltd.

Mercury Venture Capital Co., Ltd. dissolved in 2008 and made capital returns to the Company of \$1,650 thousand in 2009 and \$8,000 thousand in 2008. It was still under liquidation as of December 31, 2009.

Chao Hsing Textile Co., Ltd. bought 1,480 thousand common shares of Mycenax Biotech Inc. at NT\$17.5 per share from Roo Hsing Co., Ltd. in June 2008, and share transfer completion was in July 2008.

9. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
RABOBANK NEDERLAND	\$ 201,628	\$ -
TWIN DRAGON MARKETING, INC.	<u>160,925</u>	<u>-</u>
	<u>\$ 362,553</u>	<u>\$ -</u>

In March 2009, under the approval of its board of directors, Nien Hsing International (Bermuda) Ltd. (a Company subsidiary) bought 5,000 preferred shares issued by TWIN DRAGON MARKETING, INC. The preferred shareholders are entitled to quarterly dividends at US\$2.50 per share and have full voting rights with 10 preferred shares having the equivalent voting rights of one common share. The preferred shares are not convertible into common shares. In November 2009, Nien Hsing International (Bermuda) Ltd. sold its preferred stockholding to Phoenix Development & Marketing Co., Ltd. (a subsidiary) at carrying amount.

In November 2009, under the approval of its board of directors, Nien Hsing International (B.V.I.) Ltd. (a Company subsidiary) bought subordinated capital securities at par value of US\$5,000 thousand. These securities, which amounted to US\$1,500,000 thousand, were issued by RABOBANK NEDERLAND (the "Issuer") on June 4, 2009, have no maturity date and bear annual interest at a coupon rate of 11% payable semiannually until June 29, 2019. From June 30, 2019, the subordinated capital securities will bear interest at a coupon rate of three-month U.S. dollar LIBOR plus 10.8675% and will be redeemable (at the option of the Issuer) on June 30, 2019, or on each interest payment date thereafter, in an amount equal to the par value.

10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	2009		2008	
	Carrying Value	% of Ownership	Carrying Value	% of Ownership
China International Investment Co., Ltd.	\$ 274,546	22.42	\$ 198,435	22.42
C&D Capital Corp.	165,599	22.42	173,329	22.42
Grand Paper International (B.V.I.) Ltd.	67,646	37.00	46,686	37.00
Wu Hsing International Co., Ltd.	-	30.00	-	30.00
Top Fashion Industrial Co., Ltd.	-	30.00	-	30.00
	<u>\$ 507,791</u>		<u>\$ 418,450</u>	

Investment income (loss) recognized under the equity method was as follows:

	2009	2008
China International Investment Co., Ltd.	\$ 58,780	\$ 3,769
C&D Capital Corp.	(6,250)	(8,847)
Grand Paper International (B.V.I.) Ltd.	12,950	3,384
Grand Paper Industrial (B.V.I.) Ltd.	(5,644)	-
Illies International (B.V.I.) Ltd.	-	223
Wu Hsing International Co., Ltd.	-	-
Top Fashion Industrial Co., Ltd.	-	-
	<u>\$ 59,836</u>	<u>\$ (1,471)</u>

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Company's investments, had been audited, except those of Wu Hsing International Co., Ltd. and Top Fashion Industrial Co., Ltd. The Company believes that, had the financial statements of Wu Hsing International Co., Ltd. and Top Fashion Industrial Co., Ltd. been audited, any adjustments arising would have had no material effect on the Company's financial statements.

Nien Hsing International (Bermuda) Co., Ltd. (a Company subsidiary) increased its investment in Grand Paper Industrial (B.V.I.) Ltd. ("Grand Paper") to 21.5% and gained significant influence over the investee. Thus, the investment in Grand Paper Industrial (B.V.I.) Ltd. was reclassified from financial asset carried at cost to an investment accounted for by the equity method. On December 31, 2009, Nien Hsing International (Bermuda) Co., Ltd. sold this investment and recognized a gain of \$986 thousand.

In May 2008 and December 2009, China International Investment Co., Ltd. decreased its capital at a ratio of 188.1 shares and 401.6 shares, respectively, for every one thousand shares and thus made capital returns of \$33,637 thousand and \$58,304 thousand, respectively, to the Company.

Nien Hsing International (Bermuda) Co., Ltd. participated in common stock issuance of C&D Capital Corp. and invested US\$1,121 thousand in 2008.

In September 2008, Nien Hsing International (Bermuda) Co., Ltd. sold off its entire holding in Illies International (B.V.I.) Ltd. at the investment carrying amount of US\$253 thousand.

11. PROPERTY, PLANT AND EQUIPMENT

	2009	2008
Accumulated depreciation		
Land improvements	\$ 1,516	\$ 1,516
Buildings and equipment	1,066,017	920,709
Machinery and equipment	3,873,960	3,488,259
Furniture and miscellaneous equipment	<u>1,210,048</u>	<u>1,106,532</u>
	<u>\$ 6,151,541</u>	<u>\$ 5,517,016</u>

Capitalized interests were \$1,700 thousand and \$3,970 thousand with capitalization rate 2.46% and 2.75% in 2009 and 2008, respectively.

Depreciation expenses were \$790,298 thousand in 2009 and \$761,577 thousand in 2008.

The garment departments in Nicaragua and Mexico had work stoppages; thus, the Company and subsidiaries assessed the recoverable amount of unsold fixed assets and recognized an impairment loss of \$70,128 thousand as of December 31, 2008.

The net carrying values of property, plant and equipment pledged or mortgaged as collaterals for bank loans as of December 31, 2009 and 2008 were \$300,987 thousand and \$309,569 thousand, respectively.

12. OTHER ASSETS - AGRICULTURAL LAND FOR TRANSFER

To strengthen the investment management in Hou Long Zhen and to have sites for plant construction and other purposes, the Company bought three agricultural lots in Hou Long Zhen in Miaoli County for \$21,845 thousand under the name of Mr. Chen, Rong Ciou, in the fourth quarter of 2007. These assets were recorded as other assets - agricultural land for transfer. These assets were transferred to Mr. Chen's wife, Ms. Chen, Hong Yun, in the second quarter of 2008. The Company signed a trust deeds, first with Mr. Chen, Rong Ciou and then with Ms. Chen, Hong Yun, under which both of them agreed to follow the Company's written instructions on the use of these assets and to recognize any benefit generated from these assets as belonging to the Company. The lots has been applied for industrial purpose.

13. SHORT-TERM LOANS

	2009	2008
Credit loan from banks, interest rate at 0.80%-1.68% in 2009 and 2.38%-2.75% in 2008	\$ 159,370	\$ 1,288,964
Usance letters of credit, interest rate at 2.28%-2.90%	<u>-</u>	<u>122,177</u>
	<u>\$ 159,370</u>	<u>\$ 1,411,141</u>

14. LONG-TERM BANK LOANS

	Current	Long-term	Total
<u>December 31, 2009</u>			
Note issuance facilities	\$ 499,851	\$ -	\$ 499,851
Loan: Repayment period - February 2009 to February 2012; annual interest rate - 2.56%; repayment amount- one third of principal in the third year and every six months thereafter.	-	155,960	155,960
Loan: Repayment period - May 2009 to May 2012; annual interest rate - 1.46%; repayment amount - one fifth of principal in May 2010 and every six months thereafter.	60,000	90,000	150,000
Loan: Repayment period - May 2009 to May 2012; annual interest rate - 1.45%; repayment amount - one fifth of principal in May 2010 and every six months thereafter.	<u>52,000</u>	<u>78,000</u>	<u>130,000</u>
	<u>\$ 611,851</u>	<u>\$ 323,960</u>	<u>\$ 935,811</u>
<u>December 31, 2008</u>			
Note issuance facilities	<u>\$ 299,353</u>	<u>\$ 598,706</u>	<u>\$ 898,059</u>

On November 6, 2007, a three-year syndicated revolving credit line agreement of \$900,000 thousand was signed by the Company with ABN-AMRO Bank and three other financial institutions. Under the agreement, The Company can issue 90 or 180 days of outstanding commercial paper guaranteed by the banks and financial institutions within the credit line. The drawdown on credit line is at \$300,000 thousand semiannually starting from November 1, 2009.

As of December 31, 2009 and 2008, the Company had drawn down \$500,000 thousand on a credit line of \$600,000 thousand and drawn down \$900,000 thousand on a credit line of \$900,000 thousand, respectively, on the syndicated loan. Interest rates were 0.258% and 1.83% as of December 31, 2009 and 2008, respectively.

Under the syndicated loan agreements, the Company should maintain current, interest coverage and net equity ratio at percentages specified in the agreements.

15. PENSION PLAN

The pension plan under the Labor Pension Act (the "LPA") is a defined contribution plan. Based on the LPA, the Company and Chu Hsing Garment Co., Ltd. make monthly contributions to employees' individual pension accounts at 6% of monthly salaries and wages. Such pension costs were \$17,752 thousand and \$18,708 thousand for the years ended December 31, 2009 and 2008, respectively.

Based on the defined benefit plan under the LSL, pension benefits are calculated on the basis of the length of service and average monthly salaries of the six months before retirement. The Company and Chu Hsing Garment Co., Ltd. contribute amounts equal to 3% of total monthly salaries and wages to a pension fund administered by the pension fund monitoring committee. The pension fund is deposited in the Bank of Taiwan in the committee's name. Such pension costs were \$29,630 thousand and \$24,332 thousand for the years ended December 31, 2009 and 2008, respectively.

Chao Hsing Textile Co., Ltd. and Nien Hsing International Investment Co., Ltd. have no full-time employees, and the other subsidiaries have no pension plans.

Information on the defined benefit plan was as follows:

a. Components of net pension cost:

	2009		2008	
	The Company	Subsidiary (Chu Hsing)	The Company	Subsidiary (Chu Hsing)
Service cost	\$ 14,312	\$ 309	\$ 14,645	\$ 208
Interest cost	10,151	528	13,167	694
Projected return on plan assets	(2,506)	(96)	(2,307)	(89)
Amortization	5,833	1,099	4,963	1,141
Curtailment gain	<u>-</u>	<u>-</u>	<u>(7,938)</u>	<u>(152)</u>
Net periodic pension cost	<u>\$ 27,790</u>	<u>\$ 1,840</u>	<u>\$ 22,530</u>	<u>\$ 1,802</u>

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2009 and 2008:

	2009		2008	
	The Company	Subsidiary (Chu Hsing)	The Company	Subsidiary (Chu Hsing)
Benefit obligation				
Vested benefit obligation	\$ 45,358	\$ 1,382	\$ 53,444	\$ -
Non-vested benefit obligation	<u>278,012</u>	<u>15,053</u>	<u>263,886</u>	<u>15,613</u>
Accumulated benefit obligation	323,370	16,435	317,330	15,613
Additional benefits based on future salaries	<u>97,950</u>	<u>5,766</u>	<u>92,859</u>	<u>5,529</u>
Projected benefit obligation	421,320	22,201	410,189	21,142
Fair value of plan assets	<u>(94,433)</u>	<u>(5,559)</u>	<u>(99,204)</u>	<u>(3,680)</u>
Funded status	326,887	16,642	310,985	17,462
Unrecognized prior service cost	(11,880)	-	(13,012)	-
Unrecognized net transition obligation	(13,323)	(14,287)	(15,987)	(15,387)
Unrecognized pension loss	(79,158)	(2,106)	(75,655)	(1,817)
Additional liability	<u>6,411</u>	<u>10,627</u>	<u>11,795</u>	<u>11,675</u>
Accrued pension cost	<u>\$ 228,937</u>	<u>\$ 10,876</u>	<u>\$ 218,126</u>	<u>\$ 11,933</u>
Vested benefit	<u>\$ 51,513</u>	<u>\$ 1,642</u>	<u>\$ 61,280</u>	<u>\$ -</u>

c. Actuarial assumptions as of December 31, 2009 and 2008

	2009		2008	
	The Company	Subsidiary (Chu Hsing)	The Company	Subsidiary (Chu Hsing)
Discount rate used in determining present values	2.25%	2.25%	2.50%	2.50%
Future salary increase rate	2.00%	2.00%	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%	2.50%	2.50%

d. Contributions to the fund	<u>\$ 11,595</u>	<u>\$ 1,849</u>	<u>\$ 12,772</u>	<u>\$ 1,966</u>
e. Payments from the fund	<u>\$ 16,993</u>	<u>\$ -</u>	<u>\$ 12,446</u>	<u>\$ 1,820</u>

16. STOCKHOLDERS' EQUITY

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par, treasury stock transactions and donations may be capitalized within a certain percentage of the Company's paid-in capital. But the capital surplus from long-term investments may not be used for any purpose.

The Company's Articles of Incorporation provide that a 10% legal reserve should be set aside from the annual net income after the reduction of accumulated deficit. The remainder, less special reserve appropriated in accordance with relevant laws or regulations or as requested by the authorities in charge, and prior years' unappropriated earnings may be appropriated as determined in the stockholders' meeting. The remuneration to directors and supervisors, which is based on the textile industry benchmark, should be paid whether or not the Company has a profit. The bonus to employees should be of at least 1% of total appropriations.

The Company can appropriate all the distributable earnings, taking into account financial, business and operating factors. Appropriations may be in the form of cash dividends and/or stock dividends, with cash dividends currently preferred because the Company's business is mature. In addition, any stock dividends distributed should not exceed 50% of the total distribution. If the Company has no unappropriated earnings, if earnings appropriable are much less than the prior year's, or if certain financial, business and operating factors need to be considered, the legal reserve may be distributed in accordance with relevant laws or regulations or as requested by the authorities in charge.

For 2009, the bonus to employees was \$10,700 thousand and the remuneration to directors and supervisors was \$9,100 thousand. For 2008, the estimate of the bonus to employees was \$3,100 thousand and that of the remuneration to directors and supervisors was \$9,100 thousand. These estimates were based on past experience, with operating factors taken into account. Material differences between these estimates and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the stockholders differ from the proposed amounts, the differences are recorded in the year of stockholders' resolution as a change in accounting estimate. If bonus shares are resolved to be distributed to employees, the number of shares is determined by dividing the amount of bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day preceding the stockholders' meeting.

Based on a directive issued by the Securities and Futures Bureau, an amount equal to the net debit balance of certain stockholders' equity accounts (including cumulative translation adjustments and unrealized loss on financial instruments) should be transferred from unappropriated earnings to a special reserve. Any special reserve appropriated may be reversed to the extent of the decrease in the net debit balance.

Legal reserve should be appropriated until the reserve equals the Company's paid-in capital. The reserve may be used to offset a deficit. When the reserve exceeds 50% of the Company's paid-in capital, the excess may be declared as dividends and bonuses if the Company has no unappropriated earnings. The Company Law also prescribes that, when the reserve has reached 50% of the Company's paid-in capital, up to 50% of the reserve may be transferred to capital.

Under the Integrated Income Tax System in the ROC, which took effect on January 1, 1998, noncorporate resident stockholders are allowed a tax credit for the income tax paid or payable by the Company, Chao Hsing Textile Co., Ltd., Chu Hsing Garment Co., Ltd., and Nien Hsing International Investment Co., Ltd. on earnings generated in 1998 and on. Nonresident stockholders are allowed only a tax credit from the 10% income tax on undistributed earnings, which can be used to deduct the withholding income tax from dividends paid.

The appropriations of the 2008 and 2007 earnings were approved in the stockholders' meetings on June 16, 2009 and May 27, 2008, respectively. The appropriations and dividends per share were as follows:

	<u>Appropriation of Earnings</u>		<u>Dividend (Dollar)</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Legal reserve	\$ 10,543	\$ 126,860		
Cash dividend	295,321	897,554	\$0.50	\$1.50
Remuneration to directors and supervisors		9,100		
Bonus to employees - paid by cash		9,200		

The bonus to employees of \$3,100 thousand and the remuneration to directors and supervisors of \$9,100 thousand for 2008 were approved in the stockholders' meeting on June 16, 2009.

Information on the appropriation of earnings can be accessed through the Market Observation Post System on the Web site of the Taiwan Stock Exchange (<http://mops.tse.com.tw>).

17. TREASURY STOCK

(Shares in Thousands)

Purpose of Treasury Stock	Number of Shares, Beginning of Year	Addition During the Year	Reduction During the Year	Number of Shares, End of Year
<u>Year ended December 31, 2009</u>				
For transfer to employees	<u>3,638</u>	<u>93</u>	<u>3,731</u>	<u>-</u>
<u>Year ended December 31, 2008</u>				
To maintain the Company's credibility and stockholders' interest	<u>-</u>	<u>7,726</u>	<u>7,726</u>	<u>-</u>
For transfer to employees	<u>-</u>	<u>3,638</u>	<u>-</u>	<u>3,638</u>

On August 12, 2008, the Company's board of directors decided that the Company should buy its own stock to maintain its credibility and stockholders' interest. Thus, the Company bought back 7,726 thousand shares for \$84,140 thousand from August 15, 2008 to October 9, 2008 and retired 7,726 thousand treasury shares on December 17, 2008. Capital reduction was on December 18, 2008 and subsequently on December 24, 2008, the treasury stocks were completed the change in capital structure by filing a registration.

On October 16, 2008, the Company's board of directors decided that the Company should buy its own stock from the market for transfer to employees. The buyback period was from October 17, 2008 to December 15, 2008, with the amount of 3,638 thousand shares for \$26,280 thousand.

On December 17, 2008, the Company's board of directors decided that the Company should again buy its own stock again from the market for transfer to employees. The buyback period was from December 18, 2008 to February 16, 2009, with the amount of 93 thousand shares for \$744 thousand.

On March 31, 2009 (which was also the grant date), the Company's board of directors decided to transfer to employees treasury shares numbering 3,638 thousand and 93 thousand shares at per-share subscription prices of NT\$7.22 and NT\$8.00. The Company recognized \$6,047 thousand as compensation cost using the Black-Scholes on the grant date. The subscription was dated April 6, 2009, but not all of the employees subscribed for the treasury shares. The Company chairman was then authorized to find employees so that all the shares would be subscribed for. As of April 17, 2009, all of the 3,731 shares had been transferred to employees for \$26,929 thousand (subscription prices net of transaction costs of \$82 thousand).

The treasury shares should be transferred to employees within three years from the buyback date. Otherwise, the Company would treat the treasury shares as unissued and file a registration of the change in capital structure.

Under the Securities and Exchange Law, the Company should not buy back more than 10% of its issued stock. In addition, the Company may not spend more than the sum of the balances of the retained earnings, additional paid-in capital from the issue of stock in excess of par value and realized capital surplus to repurchase its issued stock.

The Company may not pledge or hypothecate any treasury stock. In addition, the Company may not exercise any stockholders' rights on the treasury stock.

18. INCOME TAX

- a. A reconciliation of income tax expense (benefit) based on income before income tax at the statutory rate and income tax expense (benefit) was as follows:

	2009	2008
Income tax expense at statutory income tax rate	\$ 357,065	\$ 6,088
Tax effect on adjusting items		
Permanent differences	(434,941)	(233,011)
Temporary differences	215,934	252,648
Loss carryforwards	13,611	9,717
Loss carryforwards used	<u>(61,870)</u>	<u>(27,542)</u>
	89,799	7,900
Additional income tax under the Alternative Minimum Tax Act	88,331	89,966
Additional 10% income tax on unappropriated earnings	-	22,942
Investment tax credits used	<u>(24,091)</u>	<u>(15,888)</u>
Current income tax expense	154,039	104,920
Deferred income tax expense		
Temporary differences	(172,229)	(252,648)
Loss carryforwards	48,259	17,825
Investment tax credits	-	5,284
Valuation allowance	(45,216)	37,605
Effect of tax law changes on deferred income tax	(30,268)	-
Adjustment of valuation allowance due to changes in tax laws	(4,984)	-
Tax separately levied on interest from short-term bills	36	1,023
Adjustments for prior years' tax	<u>(2,086)</u>	<u>11,007</u>
Income tax benefit	<u>\$ (52,449)</u>	<u>\$ (74,984)</u>

In January 2009, the Legislative Yuan passed the amendment of Article 39 of the Income Tax Law, which extends the operating losses carryforward period from 5 to 10 years. In May 2009, the Legislative Yuan passed the amendment of Article 5 of the Income Tax Law, which reduces a profit-seeking enterprise's income tax rate from 25% to 20%, effective 2010. The Company, Chao Hsing Textile Co., Ltd., Chu Hsing Garment Co., Ltd. and Nien Hsing International Investment Co., Ltd. recalculated its deferred tax assets and liabilities in accordance with this amendment and recorded the resulting differences as deferred income tax expenses or benefits.

b. The changes in income tax payable as shown in the balance sheet were as follows:

	2009	2008
<u>Income tax payable</u>		
Beginning balance	\$ 97,280	\$ 112,613
Increase	154,075	105,943
Income tax paid	(122,318)	(132,752)
Adjustment for prior year	(2,086)	11,381
Tax receivable	<u>3</u>	<u>95</u>
Ending balance	<u>\$ 126,954</u>	<u>\$ 97,280</u>

c. Deferred income tax assets (liabilities) were as follows:

	2009	2008
Current		
Loss carryforwards	\$ 16,901	\$ 27,542
Provision for doubtful accounts	13,508	15,533
Provision for loss on inventories	7,080	16,138
Unrealized foreign exchange loss	2,121	8,732
Unrealized gross loss	<u>-</u>	<u>(57)</u>
Deferred tax assets, net	<u>\$ 39,610</u>	<u>\$ 67,888</u>
Noncurrent		
Investment income on oversea investee	\$ (52,810)	\$ (324,418)
Provision for pension cost	43,657	50,504
Loss carryforwards	13,651	55,734
Unrealized loss on investments	9,230	49,262
Interest capitalization	<u>149</u>	<u>279</u>
	13,877	(168,639)
Less: Valuation allowance	<u>(22,588)</u>	<u>(72,788)</u>
Deferred tax liabilities, net	<u>\$ (8,711)</u>	<u>\$ (241,427)</u>

As of December 31, 2009, the loss carryforwards of Chao Hsing Textile Co., Ltd. and Nien Hsing International Investment Co., Ltd., which can be deducted from future taxable payable, were as follows:

Year Deficit Occurred	<u>Deductible Amount</u>		Expiry Year
	Chao Hsing	Nien Hsing International Investment	
2004	\$ 16,901	\$ -	2014
2008	-	40	2018
2009	<u>-</u>	<u>13,611</u>	2019
	<u>\$ 16,901</u>	<u>\$ 13,651</u>	

d. Information on the integrated income tax is as follows:

	<u>December 31</u>	
	<u>2009</u>	<u>2008</u>
Balances of the imputation credit account (ICA) of the Company	\$ <u>293,464</u>	\$ <u>211,454</u>

The creditable ratio for distribution of earnings of 2009 and 2008 was 13.24% (estimate) and 13.51%, respectively.

For distribution of earnings generated after January 1, 1998, the ratio for the imputation credits allocated to stockholders of the Company is based on the balance of the ICA as of the date of dividend distribution. The expected creditable ratio for the 2009 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

e. Unappropriated earnings were as follows:

The unappropriated earnings in 2009 and 2008 included earnings of \$365,055 thousand generated before 1998.

Income tax returns (ITRs) of the Company through 2006 had been examined and cleared by the tax authorities. ITRs of Chu Hsing Garment Co., Ltd., Chao Hsing Textile Co., Ltd., and Nien Hsing International Investment Co., Ltd. through 2007 had been examined and cleared by the tax authorities.

Nien Hsing International (B.V.I.) Co., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd. and Phoenix Development & Marketing Co., Ltd. are exempt from income taxes of the British Virgin Islands and Bermuda, respectively, according to the laws of these areas.

Under Mexico's laws, the income tax payable of Nien Hsing International Victoria Ltd. and Nien Hsing Confeccion Ltd. is the taxable income multiplied by tax rate. The taxable income is based on total net assets markup of cost.

Under Managua's laws, Chih Hsing Garment (Managua) S.A., Chao Hsing International (Managua) S.A., John Garment, S.A., Alpha Textile S.A., Nien Hsing Garment (Managua) S.A., Henry Garment S.A. and Richard Garment S.A. are exempt from income taxes for 10 years from 1997, 1999, 2000, 2001, 2004, 2005 and 2007, respectively.

C&Y Garments (Proprietary) Co., Ltd., Nien Hsing International (Lesotho) Co., Ltd., Global Garments Co., Ltd., Formosa Textile Co., Ltd., Rontex Apparel (CAM) Co., Ltd., Chu Hsing Garment (Vietnam) Co., Ltd., Chu Hsing Garment (Cambodia) Co., Ltd., Chentex Garment Co., Ltd. and Nien Hsing Garment (Vietnam) Co., Ltd. and Nien Hsing Garment (Ninh Binh) Co., Ltd. authorized local agents to declare tax expense, as required under local requirements.

19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2009			Total
	Operating Cost	Operating Expense	Nonoperating Expense and Loss	
Personnel expense				
Salary	\$ 1,613,534	\$ 300,622	\$ -	\$ 1,914,156
Labor and health insurance	26,292	18,114	-	44,406
Pension cost	25,205	20,184	1,993	47,382
Other	<u>79,908</u>	<u>14,701</u>	<u>-</u>	<u>94,609</u>
	<u>\$ 1,744,939</u>	<u>\$ 353,621</u>	<u>\$ 1,993</u>	<u>\$ 2,100,553</u>
Depreciation	<u>\$ 689,329</u>	<u>\$ 100,969</u>	<u>\$ -</u>	<u>\$ 790,298</u>
Amortization	<u>\$ 80,413</u>	<u>\$ 4,231</u>	<u>\$ -</u>	<u>\$ 84,644</u>
	2008			
	Operating Cost	Operating Expense	Nonoperating Expense and Loss	Total
Personnel expense				
Salary	\$ 2,203,016	\$ 265,536	\$ -	\$ 2,468,552
Labor and health insurance	25,544	17,912	-	43,456
Pension cost	27,463	13,678	1,899	43,040
Other	<u>101,311</u>	<u>15,914</u>	<u>-</u>	<u>117,225</u>
	<u>\$ 2,357,334</u>	<u>\$ 313,040</u>	<u>\$ 1,899</u>	<u>\$ 2,672,273</u>
Depreciation	<u>\$ 742,633</u>	<u>\$ 18,881</u>	<u>\$ 63</u>	<u>\$ 761,577</u>
Amortization	<u>\$ 70,559</u>	<u>\$ 10,557</u>	<u>\$ -</u>	<u>\$ 81,116</u>

20. EARNINGS PER SHARE

The numerators and denominators used in calculating earnings per share (EPS) were as follows:

	Net Income (Numerator)		Shares (Denominator) (Thousands)	Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
<u>2009</u>					
Basic EPS					
Income for the year attributable to common stockholders	\$ 1,122,197	\$ 1,221,469	589,554	<u>\$ 1.90</u>	<u>\$ 2.07</u>
Effect of dilutive potential common stock					
Bonus to employees	<u>-</u>	<u>-</u>	<u>725</u>		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 1,122,197</u>	<u>\$ 1,221,469</u>	<u>590,279</u>	<u>\$ 1.90</u>	<u>\$ 2.07</u>

(Continued)

	<u>Net Income (Numerator)</u>		<u>Shares (Denominator) (Thousands)</u>	<u>Earnings Per Share (Dollars)</u>	
	<u>Income Before Income Tax</u>	<u>Net Income</u>		<u>Income Before Income Tax</u>	<u>Net Income</u>
<u>2008</u>					
Basic EPS					
Income for the year attributable to common stockholders	\$ 21,496	\$ 105,426	595,465	<u>\$ 0.04</u>	<u>\$ 0.18</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>387</u>		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 21,496</u>	<u>\$ 105,426</u>	<u>595,852</u>	<u>\$ 0.04</u>	<u>\$ 0.18</u>

(Concluded)

The ARDF issued Interpretation 2007-052 that requires companies to recognize bonuses paid to employees, directors and supervisors as compensation expenses beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings. If the Company may settle the bonus to employees by cash or shares, the Company should presume that the entire amount of the bonus will be settled in shares and the resulting potential shares should be included in the weighted average number of shares outstanding used in the calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the entire amount of the bonus by the closing price of the shares at the balance sheet date. Such dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.

21. FINANCIAL INSTRUMENTS

a. The fair values and carrying values of nonderivative financial instruments are as follows:

<u>Nonderivative Financial Instruments</u>	<u>2009</u>		<u>2008</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial assets</u>				
Cash and cash equivalents	\$ 985,276	\$ 985,276	\$ 639,811	\$ 639,811
Available-for-sale financial assets				
- current	407,333	407,333	27,024	27,024
Notes receivable	20,859	20,859	11,388	11,388
Accounts receivable, net	1,508,812	1,508,812	1,584,073	1,584,073
Accounts receivable from related parties	927	927	2,526	2,526
Other financial assets-current	11,245	11,245	58,110	58,110
Available-for-sale financial assets				
- noncurrent	618,008	618,008	250,665	250,665
Financial assets carried at cost - noncurrent	1,163,268	959,235	1,266,201	1,061,248
Bond investments with no active market - noncurrent	362,553	362,553	-	-

(Continued)

Nonderivative Financial Instruments	2009		2008	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Refundable deposits	\$ 26,435	\$ 26,435	\$ 26,021	\$ 26,021
Overdue receivable, net	-	-	29,400	29,400
<u>Financial liabilities</u>				
Short-term loans	159,370	159,370	1,411,141	1,411,141
Notes payable	173,331	173,331	137,951	137,951
Accounts payable	346,287	346,287	571,337	571,337
Accrued expenses	491,883	491,883	460,506	460,506
Account payable to related parties	23,001	23,001	-	-
Long-term bank loans (including current portion)	935,811	935,811	898,059	898,059
Bonus payable to directors, supervisors and employees (shown as part of other current liabilities)	21,150	21,150	12,220	12,220
Payables for equipment purchased (shown as part of other current liabilities)	12,112	12,112	684	684
Guarantee deposits received	858	858	853	853
<u>Classification of derivative instruments on the basis of trader's territory</u>				
Domestic				
Financial assets at fair value through profit or loss - current	812	812	-	-
Hedging derivative liabilities - current	335	335	-	-
Hedging derivative liabilities - noncurrent	-	-	5,243	5,243
Foreign				
Hedging derivative liabilities - current	7,695	7,695	-	-
Hedging derivative liabilities - noncurrent	-	-	10,626	10,626
				(Concluded)

b. Methods and assumptions used to estimate the fair values of financial instruments were as follows:

- 1) The carrying amounts of the following short-term financial instruments approximate their fair values because of their short maturities: Cash and cash equivalents, receivables, accounts receivable from related parties, other financial assets - current, short-term loans, payables, accrued expenses, accounts payable to related parties, bonus payable to directors, supervisors and employees and payables for equipment purchased.

- 2) Fair values of derivatives and available-for-sale financial assets are based on their quoted prices in an active market. For those financial assets with no quoted market prices, their fair values are determined using valuation techniques incorporating estimates and assumptions consistent with those generally used by other market participants to price financial instruments.
 - 3) Financial assets carried at cost are investments in unquoted shares, which have no quoted prices in an active market and entail an unreasonably high cost to obtain verifiable fair values. Thus, fair values cannot be reliably measured.
 - 4) The fair value of bond investments with no active market is estimated using the present value of future cash flows discounted at the yield rates of similar financial instruments. The Company and its subsidiaries consider the repayments already made and the related credit risk if the issuers cannot make the repayments.
 - 5) Fair value of long-term bank loans is estimated using the present value of future cash flows discounted by the interest rates the Company and its subsidiaries may obtain for similar loans.
 - 6) The carrying amounts of overdue receivable, refundable deposits and guarantee deposits received reflect their fair values.
- c. Fair values of financial assets and liabilities using based on quoted market prices or valuation techniques were as follows:

	Quoted Market Prices		Valuation Techniques	
	December 31		December 31	
	2009	2008	2009	2008
Assets				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ 812	\$ -
Available-for-sale financial assets - current	407,333	27,024	-	-
Available-for-sale financial assets - noncurrent	618,008	250,665	-	-
Liabilities				
Hedging derivative liabilities - current	-	-	8,030	-
Hedging derivative liabilities - noncurrent	-	-	-	15,869

- d. The valuation gain on financial instruments with fair values determined using valuation techniques was \$812 thousand for the year ended December 31, 2009.
- e. Financial liabilities exposed to fair value interest rate risk amounted to \$159,370 thousand and \$1,411,141 thousand as of December 31, 2009 and 2008, respectively. Financial liabilities exposed to cash flow interest rate risk amounted to \$935,811 thousand and \$898,059 thousand as of December 31, 2009 and 2008, respectively.
- f. Financial risks
- 1) Market risk

Derivative financial instruments are mainly used to hedge the exchange rate or interest rate fluctuations of foreign-currency assets and liabilities; therefore, the market risk of derivative will be offset by the foreign exchange risk of these hedged items and the market risk will be immaterial.

2) Credit risk

Credit risk represents the potential impacts to financial asset that the Company and its subsidiaries might encounter of counter-parties or third parties breach the contracts. Factors that affect the impacts include credit risk concentration, components of financial instruments, contract amount and other receivables. Amounts of credit risk exposure were \$1,026,153 thousand and \$277,689 thousand as of December 31, 2009 and 2008, respectively. Contracts with positive fair value at balance sheet date were valued for credit risk.

The maximum credit risk exposure of the financial instruments held by the Company and its subsidiaries is as follow (excluding fair value of the collaterals):

Financial Instruments	2009		2008	
	Carrying Amount	Credit Risk Amount	Carrying Amount	Credit Risk Amount
Financial assets at fair value through profit or loss				
Forward exchange contracts	\$ 812	\$ 812	\$ -	\$ -
Available-for-sale financial assets				
Listed and OTC Stocks	1,022,543	1,022,543	276,256	276,256
Overseas Listed and OTC stocks	<u>2,798</u>	<u>2,798</u>	<u>1,433</u>	<u>1,433</u>
	<u>\$ 1,026,153</u>	<u>\$ 1,026,153</u>	<u>\$ 277,689</u>	<u>\$ 277,689</u>

3) Liquidity risk

The Company and its subsidiaries' operating funds are deemed sufficient to meet the cash flow demand, therefore liquidity risk is not considered to be significant.

The forward exchange contracts are expected to result in cash outflows of US\$5,000 thousand and cash inflows of NT\$161,266 thousand from January to April in 2010. The exchange rates of forward exchange contracts are fixed; thus material risk on cash flow is not expected.

The financial instruments categorized as financial assets carried at cost have no active market; thus, the liquidity risk is expected to be high.

f. Cash flow hedge

Changes in market interest rates affect the future cash flows of the Company because it has loans with floating interest rates. Thus, the Company used interest rate swaps to hedge against the risks on cash flows.

Hedged Item	Hedging Instrument	Fair Value as of December 31, 2009	Cash Flow Period	Period in which Profit (Loss) is Recognized in Income Statement
Long-term bank loans with floating interest rate	Interest rate swap	<u>\$(8,030)</u>	2008-2010	2008-2010

	December 31	
	2009	2008
Adjustments to stockholders' equity	\$ <u>7,839</u>	\$ <u>(16,833)</u>

22. RELATED-PARTY TRANSACTIONS

- a. The related parties and their relationship with the Group were as follows:

<u>Related Party</u>	<u>Relationship with the Group</u>
Richard Garment S.A.	A Company subsidiary (operation closed on December 31, 2008)
Grand Paper International (B.V.I.) Ltd.	Equity-method investee of Phoenix Development & Marketing Co., Ltd.
Roo Hsing Co., Ltd.	Its chairman is brother of the Company's former chairman
Wu Hsing International Co., Ltd. Chen, Rong-Ciou	Equity-method investee of the Company The Company's former chairman (father of the Company's current chairman)
Chen, Hong-Yun	Mother of the Company's chairman
Hong Yuan Investment Ltd.	Its chairman is the brother of the Company's chairman
Guo Jhong Investment Ltd.	Its chairman is the same as the Company's chairman
Li Fong Investment Ltd.	Its chairman is the brother of the Company's chairman

- b. In addition to those disclosed in Notes 8 and 12 of the consolidated financial statements, the transactions with the foregoing related parties are summarized as follows:

	2009		2008	
	Amount	%	Amount	%
<u>For the year</u>				
Net sales				
Roo Hsing Co., Ltd.	\$ <u>-</u>	-	\$ <u>14</u>	-
Processing income				
Grand Paper International (B.V.I.) Ltd.	\$ 16,474	93	\$ 15,749	49
Roo Hsing Co., Ltd.	<u>-</u>	-	<u>680</u>	<u>2</u>
	<u>\$ 16,474</u>	<u>93</u>	<u>\$ 16,429</u>	<u>51</u>
Rental revenue (shown as nonoperating income and gains - other; based on renewable one-year operating lease contracts)				
Hong Yuan Investment Ltd.	\$ 26	-	\$ 26	-
Guo Jhong Investment Ltd.	26	-	26	-
Li Fong Investment Ltd.	<u>26</u>	-	<u>26</u>	-
	<u>\$ 78</u>	-	<u>\$ 78</u>	-
Service revenue (shown as nonoperating income and gains - other)				
Wu Hsing International Co., Ltd.	\$ <u>-</u>	-	\$ <u>509</u>	-

	2009		2008	
	Amount	%	Amount	%
<u>At year-end</u>				
Accounts receivable				
Wu Hsing International Co., Ltd.	\$ 482	52	\$ 482	19
Richard Garment S.A.	445	48	-	-
Grand Paper International (B.V.I.) Ltd.	<u>-</u>	<u>-</u>	<u>2,044</u>	<u>81</u>
	<u>\$ 927</u>	<u>100</u>	<u>\$ 2,526</u>	<u>100</u>
Accounts payable				
Grand Paper International (B.V.I.) Ltd.	<u>\$ 23,001</u>	<u>100</u>	<u>\$ -</u>	<u>-</u>

As of December 31, 2009, Richard Garment S.A. (a Company subsidiary) had not completed its liquidation and returned \$445 thousand to Alpha textile S.A. (a Company subsidiary).

Related party transactions had no significant differences from third party transactions.

c. Compensation of directors, supervisors and management personnel:

	2009	2008
Salaries	\$ 22,794	\$ 22,468
Incentives	22,946	9,525
Operating compensation	<u>4,654</u>	<u>5,289</u>
	<u>\$ 50,394</u>	<u>\$ 37,282</u>

The amounts of bonus to employees, which were estimated on the basis of the Company's Articles of Incorporation, may differ from the actual appropriation.

23. ASSETS PLEDGED OR MORTGAGED

The assets pledged or mortgaged as collateral for long-term bank loans were as follows:

	2009	2008
Property, plant and equipment, net	<u>\$ 300,987</u>	<u>\$ 309,569</u>

24. COMMITMENTS

Unused letters of credit amounted to \$973,487 thousand as of December 31, 2009.

25. OTHERS

A customer, Company M, underwent bankruptcy procedures. Thus, the Group reclassified an account receivable amounting to \$52,339 thousand from Company M to overdue receivable and recognized \$22,939 thousand in 2008 as allowance for uncollectible receivable. In 2009, the Group recognized \$25,895 thousand as allowance for uncollectible receivables. When the Group determined that the overdue receivable was definitely uncollectible, it wrote off the total allowance of \$48,834 thousand for overdue receivable. The compensation of \$17,931 thousand received from the insurance company for this write-off was recognized under nonoperating income and gains - miscellaneous income.

26. ADDITIONAL DISCLOSURES

a. Following are the additional disclosures required by the Securities and Futures Bureau for the Company and its subsidiaries:

- 1) Financing provided: None
- 2) Endorsement/guarantee provided: Table 1 (attached)
- 3) Marketable securities held: Table 2 (attached)
- 4) Marketable securities acquired and disposed of at costs or prices of at least \$100 million or 20% of the capital stock: Table 3 (attached)
- 5) Acquisition of individual real estates at costs of at least \$100 million or 20% of the capital stock: None
- 6) Disposal of individual real estates at prices of at least \$100 million or 20% of the capital stock: None
- 7) Total purchase from or sale to related parties amounting to at least \$100 million or 20% of the capital stock: Table 4 (attached)
- 8) Receivables from related parties amounting to at least \$100 million or 20% of the capital stock: Table 5 (attached)
- 9) Names, locations, and related information of investees on which the Company exercises significant influence: Table 6 (attached)
- 10) Derivative transactions: Notes 5 and 21

Subsidiaries did not enter into any forward exchange contracts in 2009. Nien Hsing International (Bermuda) Ltd. (a subsidiary) entered into forward exchange contracts in 2008 to avoid risk arising from exchange rate fluctuations. The objective of the financial policy on risk management was to avoid most of the cash flow risk. There were no outstanding forward exchange contracts as of December 31, 2008. Net gains on derivatives were \$1,468 thousand in 2008.

b. Investment in Mainland China

- 1) Name of the investees in Mainland China, main businesses and products, paid-in capital, method of investment, information on inflow or outflow of capital, percentage of ownership, investment income or loss, ending balance of investment, dividends remitted by the investee, and the limit of investment in Mainland China: Table 7 (attached)

- 2) Significant direct or indirect transactions with the investees, prices and terms of payment, unrealized gain or loss: None
 - 3) Endorsements, guarantees or collateral directly or indirectly provided to the investees: None
 - 4) Financings directly or indirectly provided to the investees: None
 - 5) Other transactions that significantly impacted current year's profit or loss or financial position: None
- c. Intercompany relationships and significant intercompany transactions: Table 8 (attached)

27. SEGMENT INFORMATION

- a. Industry information. The Company and its subsidiaries spin cotton into yarns and weave, dye and manufacture fabrics and clothes, which are operations that refer to only one industry.
- b. Geographic information

	America	Africa	Asia	Domestic	Adjustments and Eliminations	Consolidated
<u>2009</u>						
Revenues from customers, excluding the Group	\$ 2,607,892	\$ 16,474	\$ 715	\$ 9,423,773	\$ -	\$ 12,048,854
Revenues from the Group	<u>2,312,671</u>	<u>1,591,344</u>	<u>1,218,541</u>	<u>499,833</u>	<u>(5,622,389)</u>	<u>-</u>
Total revenues	<u>\$ 4,920,563</u>	<u>\$ 1,607,818</u>	<u>\$ 1,219,256</u>	<u>\$ 9,923,606</u>	<u>\$ (5,622,389)</u>	<u>\$ 12,048,854</u>
Segment operating income	<u>\$ 44,494</u>	<u>\$ 677</u>	<u>\$ 7,779</u>	<u>\$ 616,675</u>	<u>\$ 2,664</u>	\$ 672,289
Equity in investees' net loss						59,836
Other nonoperating income, net						561,264
Other nonoperating expenses						(84,835)
Interest expense						<u>(39,384)</u>
Income before income tax						<u>\$ 1,169,170</u>
Identifiable tangible assets	<u>\$ 3,145,232</u>	<u>\$ 1,528,378</u>	<u>\$ 1,614,533</u>	<u>\$ 5,739,175</u>	<u>\$ -</u>	\$ 12,027,318
Long-term equity investments						<u>2,651,620</u>
Total assets						<u>\$ 14,678,938</u>

	America	Africa	Asia	Domestic	Adjustments and Eliminations	Consolidated
<u>2008</u>						
Revenues from customers, excluding the Group	\$ 2,829,015	\$ 15,749	\$ 1,014	\$ 10,777,693	\$ -	\$ 13,623,471
Revenues from the Group	<u>2,586,084</u>	<u>1,577,490</u>	<u>989,216</u>	<u>902,764</u>	<u>(6,055,554)</u>	<u>-</u>
Total revenues	<u>\$ 5,415,099</u>	<u>\$ 1,593,239</u>	<u>\$ 990,230</u>	<u>\$ 11,680,457</u>	<u>\$ (6,055,554)</u>	<u>\$ 13,623,471</u>
Segment operating loss	<u>\$ (74,624)</u>	<u>\$ (1,189)</u>	<u>\$ (62,226)</u>	<u>\$ (273,219)</u>	<u>\$ (65,429)</u>	\$ (476,687)
Equity in investees' net loss						(1,471)
Other nonoperating income, net						1,355,496
Other nonoperating expenses						(781,851)
Interest expense						<u>(65,041)</u>
Income before income tax						<u>\$ 30,446</u>
Identifiable tangible assets	<u>\$ 4,334,177</u>	<u>\$ 1,536,291</u>	<u>\$ 1,412,527</u>	<u>\$ 5,344,836</u>	<u>\$ -</u>	\$ 12,627,831
Long-term equity investments						<u>1,935,316</u>
Total assets						<u>\$ 14,563,147</u>

c. Export sales

Territory	2009	2008
America	\$ 7,784,743	\$ 8,949,364
Asia	1,163,599	1,318,530
Other	<u>328,456</u>	<u>454,861</u>
	<u>\$ 9,276,798</u>	<u>\$ 10,722,755</u>

d. Major customers. Customers that accounted for at least 10% of the Group's total sales were as follows:

Customers	2009		2008	
	Amount	%	Amount	%
A	\$ 2,377,219	20	\$ 1,593,663	12
B	1,658,755	14	1,488,474	11
C	1,333,229	11	905,628	7
D	1,218,744	10	2,799,616	21

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

**ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)**

No.	Endorsement/Guarantee Provider	Counter-party		Limits on Each Counter-party's Endorsement/Guarantee Amounts (Note C)	Maximum Balance for the Period	Ending Balance	Value of Collaterals Property, Plant, or Equipment (Note D)	Ratio of Accumulated Amount of Collateral to Net Equity of the Latest Financial Statement	Maximum Collateral/Guarantee Amounts Allowable (Note C)
		Name	Nature of Relationship						
0	Nien Hsing Textile Co., Ltd. (the "Company")	Nien Hsing International (Bermuda) Ltd.	(Note B)	\$ 6,033,033	\$ 1,238,773	\$ 1,142,568	\$ -	9	\$ 12,066,067
		Chao Hsing Textile Co., Ltd.	(Note A)	6,033,033	450,000	350,000	-	3	12,066,067
		Nien Hsing International Investment Co., Ltd.	(Note A)	6,033,033	100,000	100,000	-	1	12,066,067
		Chu Hsing Garment Co., Ltd.	(Note A)	6,033,033	1,495,965	1,389,665	-	12	12,066,067

Notes:

- A. Subsidiary.
- B. Wholly owned subsidiary of Nien Hsing International (B.V.I.) Ltd., which is a wholly owned subsidiary of the Company.
- C. The maximum total guarantee that the Company may provide is 100% of the carrying value of its net assets, and maximum guarantee for each party is 50% of the carrying value of the Company's net assets.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD
DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
Nien Hsing Textile Co., Ltd.	Nien Hsing International (B.V.I.) Ltd.	Subsidiary	Investments accounted for by the equity method	331,470	\$ 5,667,923	100.00	\$ 5,667,923	Note
	Chao Hsing Textile Co., Ltd.	Subsidiary	Investments accounted for by the equity method	35,000,000	662,636	100.00	662,636	
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	575,021	100.00	575,021	
	Nien Hsing International Investment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	20,000,000	563,145	100.00	565,337	
	Nien Hsing Garment (Vietnam) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	554,780	100.00	554,780	
	Chu Hsing Garment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	26,000,000	366,109	100.00	366,109	
	Chu Hsing Garment (Cambodia) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	14,000	324,518	100.00	324,518	
	China International Investment Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	8,687,708	274,546	22.42	274,546	
	Chentex Garment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	4,500	132,862	100.00	132,862	
	Wu Hsing International Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	450,000	-	30.00	-	
	Simplo Technology Co., Ltd.	-	Available-for-sale financial asset - noncurrent	3,025,784	574,899	1.45	574,899	
	Roo Hsing Co., Ltd.	-	Available-for-sale financial asset - noncurrent	7,331,378	43,109	10.72	43,109	
	Mycenax Biotech Inc.	-	Financial assets carried at cost - noncurrent	7,000,000	107,100	14.00	36,554	
	Ultra Chip, Inc.	-	Financial assets carried at cost - noncurrent	1,667,721	3,001	2.87	15,860	
	UFO Investment Corporation	-	Financial assets carried at cost - noncurrent	3,384,000	33,840	5.00	13,168	
	Chiabon Venture Capital Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,800,000	18,000	3.00	26,088	
	Leadray Energy Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,153,000	14,989	13.56	10,249	
	Inno Stream Consulting Investment Inc.	-	Financial assets carried at cost - noncurrent	1,083,030	10,831	8.33	10,397	

Note: The difference between carrying value and the net asset value was recognized as unrealized gain on the related-party transaction between Nien Hsing International Investment Co., Ltd. and Nien Hsing International (Bermuda) Ltd.

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	Financial assets carried at cost - noncurrent	552,000	\$ 5,520	2.22	\$ 4,712	
	Mercury Venture Capital Co., Ltd.	-	Financial assets carried at cost - noncurrent	35,000	350	1.67	393	
	Breeze Digital Technology Corp.	-	Financial assets carried at cost - noncurrent	147,000	-	2.94	155	
Nien Hsing International (B.V.I.) Ltd.	Nien Hsing International (Bermuda) Ltd.	Subsidiary	Investments accounted for by the equity method	61,243	1,477,885	100.00	1,452,367	
	Nien Hsing International (Samoa) Ltd.	Subsidiary	Investments accounted for by the equity method	80,000,000	2,644,547	100.00	2,644,547	
	Phoenix Development & Marketing Co., Ltd.	Subsidiary	Investments accounted for by the equity method	37,289,893	1,211,918	100.00	1,211,918	
	RABOBANK NEDERLAND	-	Bond investments with no active market - noncurrent	5,000	201,628	-	201,628	
Nien Hsing International (Bermuda) Ltd.	Nien Hsing International Victoria Ltd.	Subsidiary	Investments accounted for by the equity method	47,410	612,971	99.99	612,971	
	Nien Hsing Confeccion Ltd.	Subsidiary	Investments accounted for by the equity method	4,628	(10,303)	99.99	(10,303)	
Nien Hsing International (Samoa) Ltd.	C&Y Garments (Proprietary) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	99,800	206,629	99.80	221,940	
	Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	200,000	402,473	100.00	402,473	
	Global Garment (Proprietary) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	100,000	81,926	100.00	81,926	
	Formosa Textile Co., Ltd.	Subsidiary	Investments accounted for by the equity method	100,000	754,658	100.00	754,658	
Phoenix Development & Marketing Co., Ltd.	Grand Paper International (B.V.I.) Ltd.	Equity-method investee	Investments accounted for by the equity method	1,110,000	67,646	37.00	67,646	
	C&D Capital Corp.	Equity-method investee	Investments accounted for by the equity method	5,606,201	165,599	22.42	165,599	
	Top Fashion Industrial Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	450,000	-	30.00	-	
	MEMSIC Inc.	-	Available-for-sale financial asset - current	26,500	2,798	0.11	2,798	
	TWIN DRAGON MARKETING, INC.	-	Bond investments with no active market - noncurrent	5,000	160,925	-	160,925	
	Prodigy Strategic Investment Fund XXI Segregated Portfolio	-	Financial assets carried at cost - noncurrent	18,333	584,218	-	580,620	
	PTS International, Inc.	-	Financial assets carried at cost - noncurrent	2,500,000	64,370	2.90	5,791	
	CNYES.COM - preferred stock	-	Financial assets carried at cost - noncurrent	10,000,000	-	6.26	-	
	Analogix Semiconductor, Inc.	-	Financial assets carried at cost - noncurrent	75,811	3,548	0.17	322	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	VeriSilicon Holdings (Cayman Islands) Co., Ltd.	-	Financial assets carried at cost - noncurrent	193,547	\$ 9,669	0.37	\$ (327)	
	GEM Services, Inc.	-	Financial assets carried at cost - noncurrent	319,670	23,035	0.80	31,667	
	Paragon Wireless, Inc.	-	Financial assets carried at cost - noncurrent	431,542	-	0.97	-	
	Ambow Education Co., Ltd.	-	Financial assets carried at cost - noncurrent	267,855	6,437	0.21	20,893	
	DigiMedia Technologies Co., Ltd.	-	Financial assets carried at cost - noncurrent	368,532	-	0.54	-	
	Solar Power Inc.	-	Financial assets carried at cost - noncurrent	53,165	1,711	0.14	843	
	Thousand Luck Limited	-	Financial assets carried at cost - noncurrent	200,000	6,437	1.33	507	
	Tong Yang Holding Corporation	-	Financial assets carried at cost - noncurrent	558,321	36,010	0.74	21,286	
	Saybot LLC	-	Financial assets carried at cost - noncurrent	113,733	5,625	0.72	1,187	
	Mstar Semiconductor Inc. (Cayman)	-	Financial assets carried at cost - noncurrent	1,364,630	31,588	0.40	49,387	
	Digital Knowledge World Co., Ltd.	-	Financial assets carried at cost - noncurrent	357,140	2,414	0.26	2,399	
	Tzero Technologies, Inc.	-	Financial assets carried at cost - noncurrent	174,872	-	0.34	-	
	Summit Micrielectronics. Inc.	-	Financial assets carried at cost - noncurrent	123,000	9,897	0.17	406	
	Silergy Corp.	-	Financial assets carried at cost - noncurrent	240,031	3,863	1.02	829	
Chao Hsing Textile Co., Ltd.	Alpha Textile S.A.	Subsidiary	Investments accounted for by the equity method	1,000	206,695	100.00	206,695	
	Chipbond Technology Corporation	-	Available-for-sale financial asset - current	34,793	1,037	0.01	1,037	
	Ultra Chip, Inc.	-	Financial assets carried at cost - noncurrent	724,290	1,304	1.25	7,075	
	Mycenaz Biotech Inc.	-	Financial assets carried at cost - noncurrent	1,480,000	25,900	2.96	7,720	
Nien Hsing International Investment Co., Ltd.	Taiflex Scientific Co., Ltd.	-	Available-for-sale financial asset - current	426,530	25,165	0.26	25,165	
	Flexium Interconnect, Inc.	-	Available-for-sale financial asset - current	1,661,923	89,744	1.39	89,744	
	Chipbond Technology Corporation	-	Available-for-sale financial asset - current	380,469	11,338	0.12	11,338	
	Entire Technology Co., Ltd.	-	Available-for-sale financial asset - current	1,205,439	277,251	1.60	277,251	
	International United Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	190,500	-	0.76	-	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2009				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Imagic Technologies Co., Ltd.	-	Financial assets carried at cost - noncurrent	3,400	\$ -	0.01	\$ -	
	Igiant Optics Co., Ltd.	-	Financial assets carried at cost - noncurrent	4,800	-	0.01	-	
	TopRay Technologies, Inc.	-	Financial assets carried at cost - noncurrent	415,269	4,609	0.94	4,570	
	Exploit Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,019,333	17,055	1.67	8,029	
	Calitech Co., Ltd.	-	Financial assets carried at cost - noncurrent	592,832	7,205	2.43	7,135	
	Leader Visual-Audio Productions Co.	-	Financial assets carried at cost - noncurrent	880,000	14,784	2.93	9,351	
	Skypola Optronics Co., Ltd.	-	Financial assets carried at cost - noncurrent	37,026	-	3.09	-	
	Commoca Inc.	-	Financial assets carried at cost - noncurrent	40,300	-	0.21	-	
	Princedom Precision Corporation	-	Financial assets carried at cost - noncurrent	263,444	3,390	1.37	1,768	
	Apaq Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	315,771	3,920	0.65	2,890	
	Moai Electronics Corporation	-	Financial assets carried at cost - noncurrent	208,269	4,000	1.08	2,070	
	Koatech Technology Corp.	-	Financial assets carried at cost - noncurrent	2,529,000	25,690	7.16	11,444	
	Brighton-Best International Inc.	-	Financial assets carried at cost - noncurrent	2,225,825	22,565	0.70	30,165	
	Monterey International Corp.	-	Financial assets carried at cost - noncurrent	204,986	4,295	0.27	2,599	
	Allpha Optical Co., Ltd.	-	Financial assets carried at cost - noncurrent	601,000	6,780	1.50	3,588	
	Amazing Microelectronic Corp.	-	Financial assets carried at cost - noncurrent	284,000	11,300	0.98	3,307	
	Land Mark Optoelectronics Corporation	-	Financial assets carried at cost - noncurrent	708,322	15,719	2.33	9,041	
	Helio Optoelectronics Corporation	-	Financial assets carried at cost - noncurrent	207,876	3,878	1.46	2,955	
	Wisdom-Orgchem Inc.	-	Financial assets carried at cost - noncurrent	554,400	10,613	1.02	12,142	

Note: The security transactions were eliminated when the consolidated financial statements were prepared.

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES ACQUIRED AND DISPOSED OF AT COSTS OR PRICES OF AT LEAST NT\$100 MILLION OR 20% OF THE PAID-IN CAPITAL
 YEAR ENDED DECEMBER 31, 2009
 (In Thousands of New Taiwan Dollars)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Adjustments (Note)	Disposal				Ending Balance	
					Shares	Amount	Shares	Amount		Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Nien Hsing Textile Co., Ltd.	Nien Hsing International (B.V.I.) Ltd.	Investments accounted for by using equity method	-	-	297,470	\$ 6,272,851	34,000	\$ 550,205	\$(1,155,133)	-	\$ -	\$ -	\$ -	331,470	\$ 5,667,923
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Investments accounted for by using equity method	-	-	-	288,603	-	332,247	(45,829)	-	-	-	-	-	575,021
Nien Hsing International (B.V.I.) Ltd.	Nien Hsing International (Samoa) Ltd.	Investments accounted for by using equity method	-	-	-	-	80,000,000	2,598,800	45,747	-	-	-	-	80,000,000	2,644,547
	Phoenix Development & Marketing Co., Ltd.	Investments accounted for by using equity method	-	-	-	-	37,289,893	1,211,362	556	-	-	-	-	37,289,893	1,211,918
	RABOBANK NEDERLAND	Bond investments with no active market	-	-	-	-	5,000	202,239	(611)	-	-	-	-	5,000	201,628
Nien Hsing International (Bermuda) Ltd.	C&Y Garments (Proprietary) Co., Ltd.	Investments accounted for by using equity method	Nien Hsing International (Samoa) Ltd.	Same as parent company	99,800	136,020	-	-	35,813	99,800	171,203	171,203	-	-	-
	Nien Hsing International (Lesotho) Co., Ltd.	Investments accounted for by using equity method	Nien Hsing International (Samoa) Ltd.	Same as parent company	200,000	322,405	-	-	78,936	200,000	401,341	401,341	-	-	-
	Formosa Textile Co., Ltd.	Investments accounted for by using equity method	Nien Hsing International (Samoa) Ltd.	Same as parent company	100,000	670,003	-	-	64,096	100,000	734,099	734,099	-	-	-
	C&D Capital Corp.	Investments accounted for by using equity method	Phoenix Development & Marketing Co., Ltd.	Same as parent company	5,606,201	173,329	-	-	(4,115)	5,606,201	169,214	169,214	-	-	-
	Prodigy Strategic Investment Fund XXI Segregated Portfolio	Financial assets carried at cost	Phoenix Development & Marketing Co., Ltd.	Same as parent company	18,308	594,211	25	801	(5,349)	18,333	589,663	589,663	-	-	-
	TWIN DRAGON MARKETING, INC.	Bond investments with no active market	Phoenix Development & Marketing Co., Ltd.	Same as parent company	-	-	5,000	164,500	(2,075)	5,000	162,425	162,425	-	-	-
Nien Hsing International (Samoa) Ltd.	C&Y Garments (Proprietary) Co., Ltd.	Investments accounted for by using equity method	Nien Hsing International (Bermuda) Ltd.	Same as parent company	-	-	99,800	171,203	35,426	-	-	-	-	99,800	206,629
	Nien Hsing International (Lesotho) Co., Ltd.	Investments accounted for by using equity method	Nien Hsing International (Bermuda) Ltd.	Same as parent company	-	-	200,000	401,341	1,132	-	-	-	-	200,000	402,473
	Formosa Textile Co., Ltd.	Investments accounted for by using equity method	Nien Hsing International (Bermuda) Ltd.	Same as parent company	-	-	100,000	734,099	20,559	-	-	-	-	100,000	754,658

(Continued)

Company Name	Marketable Securities Type and Issuer	Financial Statement Account	Counter-Party	Nature of Relationship	Beginning Balance		Acquisition		Adjustments (Note)	Disposal				Ending Balance	
					Shares	Amount	Shares	Amount		Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Phoenix Development & Marketing Co., Ltd.	C&D Capital Corp.	Investments accounted for by using equity method	Nien Hsing International (Bermuda) Ltd.	Same as parent company	-	\$ -	5,606,201	\$ 169,214	\$ (3,615)	-	\$ -	\$ -	\$ -	5,606,201	\$ 165,599
	Prodigy Strategic Investment Fund XXI Segregated Portfolio	Financial assets carried at cost	Nien Hsing International (Bermuda) Ltd.	Same as parent company	-	-	18,333	589,663	(5,445)	-	-	-	-	18,333	584,218
	TWIN DRAGON MARKETING, INC.	Bond investments with no active market	Nien Hsing International (Bermuda) Ltd.	Same as parent company	-	-	5,000	162,425	(1,500)	-	-	-	-	5,000	160,925

Note: The amount resulted from exchange rate fluctuations and investment adjustments recognized under equity method.

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

TOTAL PURCHASE FROM OR SALE TO RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE CAPITAL STOCK
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Transaction/Item Details				Abnormal Transaction		Notes/Accounts Payable or Receivable		Note
			Purchase/Sale/ Processing Expense	Amount	% to Total	Payment Terms	Unit Price	Payment Terms	Ending Balance	% to Total	
Nien Hsing Textile Co., Ltd.	Nien Hsing International (Bermuda) Ltd.	Subsidiary	Purchase	\$ 1,128,559	27	Note B	-	Note B	\$ (153,482)	(22)	Note C
	Chao Hsing Textile Co., Ltd.	Subsidiary	Purchase	329,556	7	Note B	-	Note B	(67,131)	(9)	Note C
	Nien Hsing Garment (Vietnam) Co., Ltd.	Subsidiary	Processing expense	513,853	8	Note A	Note A	Note A	(25,927)	(4)	Note C
	Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary	Processing expense	298,950	5	Note A	Note A	Note A	(41,363)	(6)	Note C
	Global Garments (Proprietary) Co., Ltd.	Subsidiary	Processing expense	292,332	5	Note A	Note A	Note A	(10,519)	(1)	Note C
	C&Y Garments (Proprietary) Co., Ltd.	Subsidiary	Processing expense	255,896	4	Note A	Note A	Note A	(40,758)	(6)	Note C
	Alpha Textile S.A	Subsidiary	Processing expense	184,527	3	Note A	Note A	Note A	-	-	Note C
Chao Hsing Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Sales	(329,556)	(100)	Note B	-	Note B	67,131	42	Note C
Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(513,853)	(100)	Note A	Note A	Note A	25,927	92	Note C
Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(298,950)	(100)	Note A	Note A	Note A	41,363	80	Note C
Global Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(292,332)	(100)	Note A	Note A	Note A	10,519	95	Note C
C&Y Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(255,896)	(100)	Note A	Note A	Note A	40,758	100	Note C
Alpha Textile S.A	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(184,527)	(100)	Note A	Note A	Note A	-	-	Note C
Nien Hsing International (Bermuda) Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Sales	(1,128,559)	(28)	Note B	-	Note B	153,482	20	Note C
	Phoenix Development & Marketing Co., Ltd.	Same as parent company	Sales	(319,020)	(8)	Note B	-	Note B	284,659	36	Note C
	Nien Hsing International Victoria Ltd.	Subsidiary	Processing expense	516,876	14	Note A	Note A	Note A	(41,784)	(21)	Note C
	Formosa Textile Co., Ltd.	Same as parent company	Processing expense	283,918	7	Note A	Note A	Note A	(139,487)	(70)	Note C
Nien Hsing International Victoria Ltd.	Nien Hsing International (Bermuda) Ltd.	Parent company	Processing income	(516,876)	(100)	Note A	Note A	Note A	41,784	61	Note C
Formosa Textile Co., Ltd.	Nien Hsing International (Bermuda) Ltd.	Parent company	Processing income	(283,918)	(100)	Note A	Note A	Note A	139,487	56	Note C
Chu Hsing Garment Co., Ltd.	Chu Hsing Garment (Cambodia) Co., Ltd.	Same as parent company	Processing expense	531,241	29	Note A	Note A	Note A	(97,610)	(54)	Note C
	Chentex Garment Co., Ltd.	Same as parent company	Processing expense	192,770	11	Note A	Note A	Note A	-	-	Note C
Chu Hsing Garment (Cambodia) Co., Ltd.	Chu Hsing Garment Co., Ltd.	Same as parent company	Processing income	(531,241)	(100)	Note A	Note A	Note A	97,610	100	Note C
Chentex Garment Co., Ltd.	Chu Hsing Garment Co., Ltd.	Parent company	Processing income	(192,770)	(100)	Note A	Note A	Note A	-	-	Note C
Phoenix Development & Marketing Co., Ltd.	Nien Hsing International (Bermuda) Ltd.	Same as parent company	Purchase	319,020	100	Note B	-	Note B	(284,659)	100	Note C

Notes:

- A. Processing fees charged by subsidiaries were based on operating cost; subsidiaries made payments depending on their financial condition.
- B. Payments were made in cash upon demand.
- C. The accounts were eliminated when the consolidated financial statements were prepared.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

RECEIVABLE FROM RELATED PARTIES AMOUNTING TO AT LEAST \$100 MILLION OR 20% OF THE PAID-IN CAPITAL

DECEMBER 31, 2009

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Year	Allowance for Bad Debt
					Amount	Action Taken		
Nien Hsing International (Bermuda) Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	\$ 153,482	Notes A and B	\$ -	-	\$ 66,279	\$ -
Formosa Textile Co., Ltd.	Nien Hsing International (Bermuda) Ltd.	Parent company	139,487	Notes A and B	-	-	119,485	-
Nien Hsing International (Bermuda) Ltd.	Phoenix Development & Marketing Co., Ltd.	Same as parent company	284,659	Notes A and B	-	-	284,659	-

Notes:

A: Payments were made upon operation request.

B: The accounts were eliminated when the consolidated financial statements were prepared.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Accumulated Investment Amount		Balance as of December 31, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2009	Dec. 31, 2008	Shares	Percentage of Ownership	Carrying Value			
Nien Hsing Textile Co., Ltd.	Nien Hsing International (B.V.I.) Co., Ltd.	Citco Building, Wickhams Cay Road Town Tortola	Investment holding company	\$ 5,332,663	\$ 4,782,458	331,470	100.00	\$ 5,667,923	\$ 331,522	\$ 331,522	Subsidiary
	Chao Hsing Textile Co., Ltd.	13F, No. 306 Niehu Rd., Sec. 1, Niehu Taipei, Taiwan 114, R.O.C.	Purchases material of fabrics and clothes	1,080,262	1,080,262	35,000,000	100.00	662,636	63,455	63,455	Subsidiary
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Ninh Phuc Industrial Zone, Ninh Binh City, Thai Binh Province, Vietnam	Manufactures jeans	608,431	276,184	-	100.00	575,021	(29,079)	(29,079)	Subsidiary
	Nien Hsing International Investment Co., Ltd.	12F-2, No. 308, Neihu Rd., Sec. 1, Neihu Dist., Taipei City, Taiwan 114, R.O.C.	Business investments	55,256	155,256	20,000,000	100.00	563,145	36,733	36,733	Subsidiary
	Nien Hsing Garment (Vietnam) Co., Ltd.	Rd. TRAN THI DUNG, Phuc khanh Industrial Park, Thai Binh City, Thai Binh Province. Viet Nam	Manufactures jeans	597,121	597,121	-	100.00	554,780	20,991	20,991	Subsidiary
	Chu Hsing Garment Co., Ltd.	13F, No. 306 Niehu Rd., Sec. 1, Niehu Taipei, Taiwan 114, R.O.C.	Manufactures and sells leisure clothing	341,360	341,360	26,000,000	100.00	366,109	152,681	152,681	Subsidiary
	Chu Hsing Garment (Cambodia) Co., Ltd.	Phum Khotor Khum Prek Leap, Rnsey Keo District Phnom Penh Cambodia	Manufactures leisure clothing	288,801	288,801	14,000	100.00	324,518	13,271	13,271	Subsidiary
	China International Investment Co., Ltd.	28F, No. 97 Dunhua S. Rd., Sec. 2, Da-an Taipei, Taiwan 106, R.O.C.	Business Investment	61,678	119,982	8,687,708	22.42	274,546	262,121	58,780	Equity-method investee
	Chentex Garment (Cambodia) Co., Ltd.	Phum Kbal Domrey Sangkat Kakab, Dongkor District Phnom Penh Kingdom of Cambodia	Manufactures leisure clothing	118,267	118,267	4,500	100.00	132,862	3,812	3,812	Subsidiary
	Wu Hsing International Co., Ltd.	12F, No. 192 Ruiguang Rd., Niehu Taipei, Taiwan 114, R.O.C.	Purchases and sells raw material, supplies and jeans	4,500	4,500	450,000	30.00	-	-	-	Equity-method investee
Nien Hsing International (B.V.I.) Co.	Nien Hsing International (Bermuda) Ltd.	Canon's Court, 22 Victoria Street, Hamilton Hm12, Bermuda	Investment holding company, also manufactures jeans	1,262,258	4,782,458	61,243	100.00	1,477,885	261,136	258,225	Subsidiary
	Nien Hsing International (Samoa) Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Investment holding company	2,569,570	-	80,000,000	100.00	2,644,547	71,595	71,595	Subsidiary
	Phoenix Development & Marketing Co., Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Sells jeans and makes business investments	1,199,604	-	37,289,893	100.00	1,211,918	995	995	Subsidiary
Chao Hsing Textile Co., Ltd.	Alpha Textile S.A	Zona France Industrial De Exportacion De Mateare Km 15 1/2 Carretera Nueva a Leon, Municipio De Mateare, Managua, Nicaragua	Dyes leisure clothing	236,216	236,216	1,000	100.00	206,695	(784)	(784)	Subsidiary
Nien Hsing International (Bermuda) Ltd.	Nien Hsing International Victoria Ltd.	Lib Naciones Unidas Km. 20, Esquina Con Carretera a Soto La Marina Km. 5.5 S/N Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. 87130	Manufactures denims	636,161	636,161	47,410	99.99	612,971	(3,225)	(3,225)	Subsidiary
	Nien Hsing Confeccion Ltd.	Lib Naciones Unidas Km. 20, Esquina Con Carretera a Soto La Marina Km. 5.5 S/N Parque Industrial Nuevo Santander Cd. Victoria. Tamaulipas. Mexico. 87130	Manufactures jeans	30,021	30,021	4,628	99.99	(10,303)	23,113	23,113	Subsidiary
	C&Y Garments (Proprietary) Co., Ltd.	Site No. 7D Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	-	163,327	-	-	-	75,164	37,026	Subsidiary
	Nien Hsing International (Lesotho) Co., Ltd.	Site No. 009 Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	-	240,541	-	-	-	88,196	83,229	Subsidiary
	Global Garments Co., Ltd.	Site No. 12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	Manufactures jeans	-	20,646	-	-	-	4,016	3,441	Subsidiary
	Formosa Textile Co., Ltd.	827 Thetsane Industrial Area, Maseru 100. Lesotho	Manufactures jeans and denims	-	635,624	-	-	-	99,380	71,318	Subsidiary
	Grand Paper International (B.V.I.) Ltd.	Private Bag A438 Maseru 100 Lesotho	Manufactures and sells cartons	-	37,713	-	-	-	35,001	10,860	Equity-method investee
C&D Capital Corp.	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	Business investment	-	181,932	-	-	-	(27,873)	(5,207)	Equity-method investee	

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Accumulated Investment Amount		Balance as of December 31, 2009			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				Dec. 31, 2009	Dec. 31, 2008	Shares	Percentage of Ownership	Carrying Value			
Nien Hsing International (Samoa) Ltd.	Grand Paper Industrial (B.V.I.) Ltd.	KM 14 1/2, Carretera Nueva A Leon, ZF Saratoga, Managua, Nicaragua	Manufactures and sells cartons	\$ -	\$ 24,926	-	-	\$ -	\$ (26,248)	\$ (4,607)	Equity-method investee
	Top Fashion Industrial Co., Ltd.	P.O. Box 3321, (Sealight House), Road Town, Tortola, British Virgin Islands	Purchases and sells raw material, supplies and jeans	-	14,644	-	-	-	-	-	Equity-method investee
	C&Y Garments (Proprietary) Co., Ltd.	Site No. 7D Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	163,327	-	99,800	99.80	206,629	75,164	37,988	Subsidiary
	Nien Hsing International (Lesotho) Co., Ltd.	Site No. 009 Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	240,541	-	200,000	100.00	402,473	88,196	4,967	Subsidiary
	Global Garments Co., Ltd.	Site No. 12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	Manufactures jeans	20,646	-	100,000	100.00	81,926	4,016	575	Subsidiary
Phoenix Development & Marketing Co., Ltd.	Formosa Textile Co., Ltd.	827 Thetsane Industrial Area, Maseru 100. Lesotho	Manufactures jeans and denims	635,624	-	100,000	100.00	754,658	99,380	28,062	Subsidiary
	Grand Paper International (B.V.I.) Ltd.	Private Bag A438 Maseru 100 Lesotho	Manufactures and sells cartons	37,713	-	1,110,000	37.00	67,646	35,001	2,090	Equity-method investee
	C&D Capital Corp.	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	Business investment	181,932	-	5,606,201	22.42	165,599	(27,873)	(1,043)	Equity-method investee
	Grand Paper Industrial (B.V.I.) Ltd.	KM 14 1/2, Carretera Nueva A Leon, ZF Saratoga, Managua, Nicaragua	Manufactures and sells cartons	-	-	-	-	-	(26,248)	(1,037)	Equity-method investee
	Top Fashion Industrial Co., Ltd.	P.O.Box 3321, (Sealight House), Road Town, Tortola, British Virgin Islands	Purchases and sells raw material, supplies and jeans	14,644	-	450,000	30.00	-	-	-	Equity-method investee

Note:

A. The accounts were eliminated when the consolidated financial statements were prepared.

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

INVESTMENT IN MAINLAND CHINA
YEAR ENDED DECEMBER 31, 2009
(In Thousands of New Taiwan Dollars)

Investee Company Name	Main Businesses and Products	Total Amount of Paid-in Capital	Investment Type (e.g., Direct or Indirect)	Accumulated Outflow of Investment from Taiwan as of Jan. 1, 2009	Investment Flows		Accumulated Outflow of Investment from Taiwan as of Dec. 31, 2009	% Ownership of Direct and Indirect Investment	Investment Gain (Loss)	Carrying Value as of Dec. 31, 2009	Accumulated Inward Remittance of Earnings as of Dec. 31, 2009
					Outflow	Inflow					
C.N.YES (Shanghai) Ltd.	Processes and supplies information	\$ 292,852	Indirect: Through an investment company registered in a third region	\$ 2,540	\$ -	\$ -	\$ 2,540	6.26%	\$ -	\$ -	\$ -
Tainjin Mitsubishi Belting Co., Ltd.	Develops, manufactures, and sells rubber belts for mechanical purposes	-	Indirect: Through an investment company registered in a third region	648	-	-	648	-	-	-	-
Fuzhou Tong Yang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	561,743	Indirect: Through an investment company registered in a third region	5,757	-	-	5,757	0.74%	-	-	-
Nanjing Tong Yang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	-	Indirect: Through an investment company registered in a third region	2,245	-	-	2,245	-	-	-	-
Chongqing Dajiang Yuchang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	418,405	Indirect: Through an investment company registered in a third region	3,293	-	-	3,293	0.41%	-	-	-
NBC (PAN YU NASA) Co., Ltd.	Manufactures and sells industrial chemicals	167,820	Indirect: Through an investment company registered in a third region	111	-	-	111	0.30%	-	-	-
CHANG CHUN DUN YANG NBC Co., Ltd.	Manufactures and sells industrial chemicals	48,278	Indirect: Through an investment company registered in a third region	276	-	-	276	0.30%	-	-	-
TJ Tung Yang Chemical Co., Ltd.	Manufactures and sells industrial chemicals	38,622	Indirect: Through an investment company registered in a third region	221	-	-	221	0.30%	-	-	-
Chang Chun Fawer Tong Yang Plastic Co., Ltd.	Manufactures and sells automobile and motorcycle parts	868,995	Indirect: Through an investment company registered in a third region	6,342	-	-	6,342	0.38%	-	-	-
Harbin Hafei Tong Yang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	321,850	Indirect: Through an investment company registered in a third region	2,303	-	-	2,303	0.19%	-	-	-
Wuhan Tung Yang Chemical Co., Ltd.	Manufactures and sells industrial chemicals	48,278	Indirect: Through an investment company registered in a third region	276	-	-	276	0.30%	-	-	-
Wuhu Youth Tong Yang Auto Plastic Parts Co., Ltd.	Manufactures and sells automobile and motorcycle parts	386,220	Indirect: Through an investment company registered in a third region	2,763	-	-	2,763	0.37%	-	-	-
NBC (NAN JING) Co., Ltd.	Manufactures and sells industrial chemicals	96,555	Indirect: Through an investment company registered in a third region	276	-	-	276	0.30%	-	-	-
Chongqing Daijian Tong Yang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	418,405	Indirect: Through an investment company registered in a third region	921	-	-	921	0.19%	-	-	-
Nanjing KaiYang Auto Plastic Parts Co., Ltd.	Manufactures and sells of plastic vehicle parts	643,700	Indirect: Through an investment company registered in a third region	3,869	-	-	3,869	0.52%	-	-	-
Nagase Plastics Design and Die (Tianjin) Co., Ltd.	Manufactures and sells automobile and motorcycle parts	11,587	Indirect: Through an investment company registered in a third region	28	-	-	28	0.12%	-	-	-

Accumulated Investment in Mainland China as of December 31, 2009	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$31,869	\$29,329	None

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2009 AND 2008
(In Thousands of New Taiwan Dollars)

2009

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			Ratio to Consolidated Operating Revenue or Asset (%)
				Account	Amount (Note E)	Condition	
0	Nien Hsing Textile Co., Ltd.	Chu Hsing Garment Co., Ltd.	1	Sales revenue	\$ 72,925	Note B	0.61
		Chu Hsing Garment Co., Ltd.	1	Service revenue	555	Note B	-
		Chu Hsing Garment Co., Ltd.	1	Rent revenue	2,806	Note D	0.02
		Chu Hsing Garment Co., Ltd.	1	Receivable from related parties	21,004	Note B	0.14
		Nien Hsing International Investment Co., Ltd.	1	Rent revenue	25	Note D	-
		Nien Hsing International Investment Co., Ltd.	1	Receivable from related parties	13	Note B	-
		Nien Hsing Confeccion Ltd.	1	Sales revenue	6,073	Note B	0.05
		Nien Hsing International (Bermuda) Ltd.	1	Sales revenue	3,074	Note B	0.03
		Alpha Textile S.A.	1	Receivable from related parties	44,750	Note B	0.30
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	1	Receivable from related parties	6,707	Note B	0.05
1	Chao Hsing Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Sales revenue	329,556	Note B	2.74
		Nien Hsing Textile Co., Ltd.	2	Rent revenue	50,349	Note D	0.42
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	67,131	Note B	0.46
		C&Y Garments (Proprietary) Co., Ltd.	3	Commission revenue	9,944	Note D	0.08
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	16,056	Note B	0.11
		Nien Hsing International (Lesotho) Co., Ltd.	3	Commission revenue	21,418	Note D	0.18
		Nien Hsing International (Lesotho) Co., Ltd.	3	Receivable from related parties	16,739	Note B	0.11
		Global Garment Co., Ltd.	3	Commission revenue	56,843	Note D	0.47
		Global Garment Co., Ltd.	3	Receivable from related parties	58,744	Note B	0.40
2	Nien Hsing International (B.V.I.) Ltd.	Nien Hsing International (Bermuda) Ltd.	3	Receivable from related parties	578	Note B	-
3	Chu Hsing Garment Co., Ltd.	Chentex Garment Co., Ltd.	3	Receivable from related parties	9,036	Note B	0.06
4	Chu Hsing Garment (Cambodia) Co., Ltd.	Chu Hsing Garment Co., Ltd.	3	Processing income	531,241	Note C	4.41
		Chu Hsing Garment Co., Ltd.	3	Receivable from related parties	97,610	Note B	0.66
5	Chentex Garment Co., Ltd.	Chu Hsing Garment Co., Ltd.	3	Processing income	192,770	Note C	1.60
		Chu Hsing Garment (Cambodia) Co., Ltd.	3	Processing income	31	Note C	-
		Chu Hsing Garment (Cambodia) Co., Ltd.	3	Receivable from related parties	935	Note B	0.01
6	Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Garment (Ninh Binh) Co., Ltd.	3	Receivable from related parties	1,402	Note B	0.01
		Nien Hsing Textile Co., Ltd.	2	Processing income	513,853	Note C	4.26
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	25,927	Note B	0.18
7	Alpha Textile S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	184,527	Note C	1.53

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
8	Nien Hsing International (Bermuda) Ltd.	Nien Hsing Textile Co., Ltd.	2	Sales revenue	\$ 1,128,559	Note B	9.37
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	153,482	Note B	1.05
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	21,890	Note B	0.15
		Global Garment Co., Ltd.	3	Receivable from related parties	64,370	Note B	0.44
		Phoenix Development & Marketing Co., Ltd.	3	Sales revenue	319,020	Note B	2.65
		Phoenix Development & Marketing Co., Ltd.	3	Receivable from related parties	284,659	Note B	1.94
		Chu Hsing Garment Co., Ltd.	3	Sales revenue	4,359	Note B	0.04
		Chu Hsing Garment Co., Ltd.	3	Receivable from related parties	4,247	Note B	0.03
9	Nien Hsing International Victoria Ltd.	Nien Hsing International (Bermuda) Ltd.	3	Processing income	516,876	Note C	4.29
		Nien Hsing International (Bermuda) Ltd.	3	Receivable from related parties	41,784	Note B	0.28
		Nien Hsing Confeccion Ltd.	3	Receivable from related parties	20,753	Note B	0.14
10	Nien Hsing International (Samoa) Ltd.	Nien Hsing International (Bermuda) Ltd.	3	Rent revenue	35,962	Note D	0.30
		Nien Hsing International (Bermuda) Ltd.	3	Receivable from related parties	12,238	Note B	0.08
11	C&Y Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	255,896	Note C	2.12
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	40,758	Note B	0.28
		Nien Hsing International (Lesotho) Co., Ltd.	3	Processing income	3	Note C	-
12	Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	298,950	Note C	2.48
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	41,363	Note B	0.28
		C&Y Garments (Proprietary) Co., Ltd.	3	Processing income	413	Note C	-
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	390	Note B	-
		Global Garment Co., Ltd.	3	Processing income	274	Note C	-
		Global Garment Co., Ltd.	3	Receivable from related parties	1,660	Note B	0.01
		Global Garment Co., Ltd.	3	Rent revenue	6,329	Note D	0.05
		Formosa Textile Co., Ltd.	3	Receivable from related parties	8,096	Note B	0.06
13	Global Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	292,332	Note C	2.43
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	10,519	Note B	0.07
		C&Y Garments (Proprietary) Co., Ltd.	3	Processing income	223	Note C	-
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	554	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	3	Processing income	519	Note C	-
14	Formosa Textile Co., Ltd.	Nien Hsing International (Bermuda) Ltd.	3	Processing income	283,918	Note C	2.36
		Nien Hsing International (Bermuda) Co., Ltd.	3	Receivable from related parties	139,487	Note B	0.95
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	80	Note B	-
		Global Garment Co., Ltd.	3	Receivable from related parties	1,233	Note B	0.01

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
0	Nien Hsing Textile Co., Ltd.	Chu Hsing Garment Co., Ltd.	1	Sales revenue	\$ 99,401	Note B	0.73
		Chu Hsing Garment Co., Ltd.	1	Service revenue	1,236	Note B	0.01
		Chu Hsing Garment Co., Ltd.	1	Rent revenue	3,072	Note D	0.02
		Chu Hsing Garment Co., Ltd.	1	Receivable from related parties	12,147	Note B	0.08
		Nien Hsing International Investment Co., Ltd.	1	Rent revenue	25	Note D	-
		Nien Hsing International Investment Co., Ltd.	1	Receivable from related parties	13	Note B	-
		Nien Hsing Confeccion Ltd.	1	Receivable from related parties	28,469	Note B	0.20
		Richard Garment (Managua) S.A.	1	Receivable from related parties	23,733	Note B	0.16
		Nien Hsing Garment (Vietnam) Co., Ltd.	1	Receivable from related parties	57,174	Note B	0.39
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	1	Receivable from related parties	37,387	Note B	0.26
		Alpha Textile S.A.	1	Receivable from related parties	60,144	Note B	0.41
1	Chao Hsing Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Sales revenue	652,989	Note B	4.79
		Nien Hsing Textile Co., Ltd.	2	Rent revenue	52,652	Note D	0.39
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	66,750	Note B	0.46
		C&Y Garments (Proprietary) Co., Ltd.	3	Commission revenue	35,758	Note D	0.26
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	43,332	Note B	0.30
		Nien Hsing International (Lesotho) Co., Ltd.	3	Commission revenue	59,069	Note D	0.43
		Nien Hsing International (Lesotho) Co., Ltd.	3	Receivable from related parties	13,778	Note B	0.09
		Global Garment Co., Ltd.	3	Commission revenue	55,547	Note D	0.41
		Global Garment Co., Ltd.	3	Receivable from related parties	16,429	Note B	0.11
2	Nien Hsing Garment (Managua) S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	228,262	Note C	1.68
		Chao Hsing Garment (Managua) S.A.	3	Processing income	1,045	Note C	0.01
3	Henry Garment S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	172,132	Note C	1.26
		Richard Garment (Managua) S.A.	3	Processing income	1,271	Note C	0.01
		Chao Hsing Garment (Managua) S.A.	3	Processing income	1,183	Note C	0.01
4	Richard Garment (Managua) S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	356,663	Note C	2.62
		Chao Hsing International (Managua) S.A.	3	Processing income	968	Note C	0.01
5	Nien Hsing International (B.V.I.) Ltd.	Nien Hsing International (Bermuda) Ltd.	3	Receivable from related parties	3,982	Note B	0.03
6	Chu Hsing Garment Co., Ltd.	Chentex Garment Co., Ltd.	3	Receivable from related parties	4,349	Note B	0.03
7	Chu Hsing Garment (Cambodia) Co., Ltd.	Chu Hsing Garment Co., Ltd.	3	Processing income	439,772	Note C	3.23
		Chu Hsing Garment Co., Ltd.	3	Receivable from related parties	72,080	Note B	0.49
		Chentex Garment Co., Ltd.	3	Processing income	771	Note C	0.01
		Chentex Garment Co., Ltd.	3	Receivable from related parties	9,228	Note B	0.06
		Nien Hsing Garment (Vietnam) Co., Ltd.	3	Receivable from related parties	219	Note B	-
		Rontex Apparel (CAM) Co., Ltd.	3	Processing income	1,078	Note C	0.01
8	Chentex Garment Co., Ltd.	Chu Hsing Garment Co., Ltd.	3	Processing income	181,493	Note C	1.33
		Chu Hsing Garment (Cambodia) Co., Ltd.	3	Processing income	5,690	Note C	0.04
		Nien Hsing Garment (Vietnam) Co., Ltd.	3	Receivable from related parties	63	Note B	-
		Rontex Apparel (CAM) Co., Ltd.	3	Processing income	29,753	Note C	0.22

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
9	Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Garment (Ninh Binh) Co., Ltd. Nien Hsing Textile Co., Ltd.	3	Receivable from related parties	\$ 1,747	Note B	0.01
			2	Processing income	225,777	Note C	1.66
10	Chao Hsing International (Managua) S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	112,404	Note C	0.83
11	John Garment S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	162,986	Note C	1.20
12	Alpha Textile S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	170,904	Note C	1.25
13	Nien Hsing International (Bermuda) Ltd.	Nien Hsing Textile Co., Ltd.	2	Sales revenue	451,202	Note B	3.31
		Nien Hsing Textile Co., Ltd.	2	Rent revenue	38,924	Note D	0.29
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	47,674	Note B	0.33
		Nien Hsing Textile Co., Ltd.	2	Processing income	3,295	Note B	0.02
		Chu Hsing Garment Co., Ltd.	3	Receivable from related parties	2,302	Note B	0.02
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	22,295	Note B	0.15
		Chao Hsing Textile Co., Ltd.	3	Receivable from related parties	4	Note B	-
		Global Garment Co., Ltd.	3	Receivable from related parties	65,560	Note B	0.45
		Formosa Textile Co., Ltd.	3	Receivable from related parties	98,336	Note B	0.68
		Nien Hsing International (Lesotho) Co., Ltd.	3	Receivable from related parties	10,508	Note B	0.07
14	Nien Hsing International Victoria Ltd.	Nien Hsing International (Bermuda) Ltd.	3	Processing income	616,697	Note C	4.53
		Nien Hsing International (Bermuda) Ltd.	3	Receivable from related parties	14,591	Note B	0.10
		Nien Hsing Confeccion Ltd.	3	Receivable from related parties	15,586	Note B	0.11
15	Nien Hsing Confeccion Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	138,031	Note C	1.01
16	C&Y Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	216,120	Note C	1.59
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	2,538	Note B	0.02
		Global Garment (Proprietary) Co., Ltd.	3	Processing income	2,821	Note C	0.02
		Global Garment (Proprietary) Co., Ltd.	3	Receivable from related parties	24,316	Note B	0.17
		Nien Hsing International (Lesotho) Co., Ltd.	3	Processing income	581	Note C	-
17	Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	291,618	Note C	2.14
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	13,437	Note B	0.09
		Global Garment Co., Ltd.	3	Processing income	1,522	Note C	0.01
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	488	Note B	-
		C&Y Garments (Proprietary) Co., Ltd.	3	Processing income	157	Note C	-
18	Global Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	235,511	Note C	1.73
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	3,306	Note B	0.02
		C&Y Garments (Proprietary) Co., Ltd.	3	Processing income	214	Note C	-
		Nien Hsing International (Lesotho) Co., Ltd.	3	Processing income	2,252	Note C	0.02
		Nien Hsing International (Lesotho) Co., Ltd.	3	Receivable from related parties	223	Note B	-

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
19	Formosa Textile Co., Ltd.	Nien Hsing International (Bermuda) Ltd.	3	Processing income	\$ 315,684	Note C	2.32
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	440	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	3	Receivable from related parties	183	Note B	-
		Global Garment Co., Ltd.	3	Receivable from related parties	5,924	Note B	0.04
20	Rontex Apparel (CAM) Co., Ltd.	Chu Hsing Garment Co., Ltd.	3	Processing income	104,793	Note C	0.77
		Chentex Garment Co., Ltd.	3	Processing income	3,096	Note C	0.02

Note A: Flow of transaction:

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

Note B: Collection of receivables is based on the related parties' cash requirements.

Note C: Processing incomes charged by subsidiaries were based on operating costs; subsidiaries made payments depending on their financial condition.

Note D: Related-party transactions had no significant differences from third-party transactions.

Note E: The accounts were eliminated when consolidated financial statements were prepared.

(Concluded)