

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

**Consolidated Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report**

DRAFT

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, 2010, 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

March 1, 2011

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, 2010 and 2009 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, 2010 and 2009 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 Statement of Financial Accounting Standards No. 10 - "Accounting for Inventories" on January 1, 2009.

March 1, 2011

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, 2010 AND 2009

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

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 1,474,718	10	\$ 985,276	7	Short-term loans (Note 14)	\$ 581,285	4	\$ 159,370	1
Financial assets at fair value through profit or loss - current (Notes 2, 5 and 22)	-	-	812	-	Hedging derivative liabilities - current (Notes 2 and 22)	-	-	8,030	-
Available-for-sale financial assets - current (Notes 2, 7 and 22)	540,260	4	407,333	3	Notes payable	148,652	1	173,331	1
Notes receivable (Note 2)	31,632	-	20,859	-	Accounts payable	492,709	3	346,287	3
Accounts receivable, net of allowance for doubtful accounts of \$138,876 thousand in 2010 and \$141,276 thousand in 2009 (Note 2)	1,756,932	12	1,508,812	10	Payable to related parties (Note 23)	29,515	-	23,001	-
Receivable from related parties (Note 23)	-	-	927	-	Income tax payable (Notes 2 and 19)	156,653	1	126,954	1
Other financial assets - current	22,994	-	11,245	-	Accrued expenses	545,593	4	491,883	3
Inventories, net (Notes 2, 3 and 6)	3,002,897	20	2,669,343	18	Current portion of long-term bank loans (Notes 15 and 24)	215,973	1	611,851	4
Deferred income tax assets - current (Notes 2 and 19)	32,371	-	39,610	-	Other current liabilities (Note 17)	103,517	1	98,377	1
Other current assets	228,926	1	244,231	2	Total current liabilities	2,273,897	15	2,039,084	14
Total current assets	7,090,730	47	5,888,448	40	LONG-TERM LIABILITIES				
LONG-TERM INVESTMENTS (Notes 2, 7, 8, 9, 10 and 22)					Bank loans, net of current portion (Notes 15 and 24)	107,987	1	323,960	2
Available-for-sale financial assets - noncurrent	705,613	4	618,008	4	OTHER LIABILITIES				
Financial assets carried at cost - noncurrent	1,046,139	7	1,163,268	8	Accrued pension cost (Notes 2 and 16)	254,511	2	239,813	2
Bond investments with no active market - noncurrent	405,621	3	362,553	3	Guarantee deposits received	7,670	-	858	-
Investments accounted for by the equity method	563,606	4	507,791	3	Deferred income tax liabilities (Notes 2 and 19)	182,647	1	9,019	-
Total long-term investments	2,720,979	18	2,651,620	18	Total other liabilities	444,828	3	249,690	2
PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 24)					Total liabilities	2,826,712	19	2,612,734	18
Cost					STOCKHOLDERS' EQUITY				
Land	401,738	3	415,045	3	Capital stock of parent company - NT\$10.00 par value				
Land improvements	1,516	-	1,516	-	Authorized - 600,000 thousand shares				
Buildings	3,152,348	21	3,543,778	24	Issued and outstanding - 550,000 thousand shares in 2010				
Machinery and equipment	5,596,477	37	6,306,439	43	- 590,643 thousand shares in 2009	5,500,000	36	5,906,431	40
Transportation equipment	70,461	1	77,450	1	Capital surplus				
Office equipment	31,827	-	39,392	-	Issue of stock in excess of par value	89	-	89	-
Miscellaneous equipment	1,419,163	9	1,539,891	11	Treasury stock transactions	5,952	-	5,952	-
Total cost	10,673,530	71	11,923,511	82	Gain on disposal of property, plant and equipment	255	-	255	-
Less: Accumulated depreciation	5,923,177	39	6,151,541	42	From business combination	380,344	2	378,574	3
	4,750,353	32	5,771,970	40	Total capital surplus	386,640	2	384,870	3
Constructions in progress and prepayments for equipment	57,926	-	150,934	1	Retained earnings				
Net property, plant and equipment	4,808,279	32	5,922,904	41	Legal reserve	1,695,837	11	1,573,690	11
INTANGIBLE ASSETS					Unappropriated earnings	4,048,890	27	3,318,999	22
Deferred pension costs (Notes 2 and 16)	15,756	-	17,038	-	Total retained earnings	5,744,727	38	4,892,689	33
Technical know-how (Note 2)	43,246	-	-	-	Others				
Goodwill (Notes 2 and 26)	-	-	25,518	-	Cumulative translation adjustments	(730,745)	(5)	(80,971)	(1)
Total intangible assets	59,002	-	42,556	-	Unrealized gain on financial instruments	1,292,520	9	963,048	7
OTHER ASSETS					Total others	561,775	4	882,077	6
Assets leased to others, net (Notes 2 and 12)	250,068	2	-	-	Minority interest	100,803	1	445	-
Idle assets (Note 2)	17,397	-	-	-	Total stockholders' equity	12,293,945	81	12,066,512	82
Refundable deposit	25,372	-	26,435	-					
Deferred charges, net (Note 2)	126,985	1	125,130	1					
Deferred income tax assets - noncurrent (Notes 2 and 19)	-	-	308	-					
Others (Note 13)	21,845	-	21,845	-					
Total other assets	441,667	3	173,718	1					
TOTAL	\$ 15,120,657	100	\$ 14,679,246	100	TOTAL	\$ 15,120,657	100	\$ 14,679,246	100

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

(With Deloitte & Touche audit report dated March 1, 2011)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2, 23 and 28)				
Sales	\$ 12,855,246	100	\$ 12,109,234	101
Less: Sales returns and allowances	<u>38,726</u>	<u>-</u>	<u>78,050</u>	<u>1</u>
Net sales	12,816,520	100	12,031,184	100
Processing income	<u>34,779</u>	<u>-</u>	<u>17,670</u>	<u>-</u>
Total operating revenues	<u>12,851,299</u>	<u>100</u>	<u>12,048,854</u>	<u>100</u>
OPERATING COSTS (Notes 2, 3, 6 and 20)				
Cost of goods sold	11,362,682	89	10,429,663	86
Processing cost	<u>37,202</u>	<u>-</u>	<u>17,192</u>	<u>-</u>
Total operating costs	<u>11,399,884</u>	<u>89</u>	<u>10,446,855</u>	<u>86</u>
GROSS PROFIT	<u>1,451,415</u>	<u>11</u>	<u>1,601,999</u>	<u>14</u>
OPERATING EXPENSES (Note 20)				
Selling	501,658	4	596,700	5
Administrative	240,574	2	235,382	2
Research and development	<u>56,748</u>	<u>-</u>	<u>97,587</u>	<u>1</u>
Total operating expenses	<u>798,980</u>	<u>6</u>	<u>929,669</u>	<u>8</u>
OPERATING INCOME	<u>652,435</u>	<u>5</u>	<u>672,330</u>	<u>6</u>
NONOPERATING INCOME AND GAINS				
Interest income	35,683	-	10,942	-
Investment income recognized under the equity method (Notes 2 and 10)	40,853	1	59,836	1
Dividend income	22,989	-	17,943	-
Gain on disposal of property, plant and equipment (Note 2)	803	-	-	-
Gain on disposal of investments, net (Notes 2, 7, 8 and 10)	230,955	2	59,407	-
Exchange gain, net (Notes 2 and 5)	-	-	49,955	-
Rental revenue (Note 23)	15,223	-	725	-
Refund of customs duties (Note 26)	1,056,742	8	317,324	3
Valuation gain on financial assets (Notes 2, 5 and 22)	-	-	812	-
Miscellaneous income (Note 26)	<u>110,848</u>	<u>1</u>	<u>104,165</u>	<u>1</u>
Total nonoperating income and gains	<u>1,514,096</u>	<u>12</u>	<u>621,109</u>	<u>5</u>

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NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2010 AND 2009

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

	2010		2009	
	Amount	%	Amount	%
NONOPERATING EXPENSES AND LOSSES				
Interest expense (Notes 2 and 11)	\$ 21,746	-	\$ 39,384	-
Loss on disposal of property, plant and equipment (Note 2)	-	-	4,895	-
Realized loss on long-term investments (Notes 2 and 8)	10,328	-	1,788	-
Exchange loss, net (Notes 2 and 5)	160,983	2	-	-
Loss on work stoppages	-	-	983	-
Impairment loss (Notes 2, 8 and 26)	30,352	-	7,022	-
Valuation loss on financial assets (Notes 2, 5 and 22)	812	-	-	-
Miscellaneous expenses (Notes 12 and 20)	<u>132,307</u>	<u>1</u>	<u>70,197</u>	<u>1</u>
Total nonoperating expenses and losses	<u>356,528</u>	<u>3</u>	<u>124,269</u>	<u>1</u>
INCOME BEFORE INCOME TAX	1,810,003	14	1,169,170	10
INCOME TAX (EXPENSE) BENEFIT (Notes 2 and 19)	<u>(368,058)</u>	<u>(3)</u>	<u>52,449</u>	<u>-</u>
NET CONSOLIDATED INCOME	<u>\$ 1,441,945</u>	<u>11</u>	<u>\$ 1,221,619</u>	<u>10</u>
NET INCOME ATTRIBUTED TO:				
Stockholders of parent company	\$ 1,442,681	11	\$ 1,221,469	10
Minority interest	<u>(736)</u>	<u>-</u>	<u>150</u>	<u>-</u>
	<u>\$ 1,441,945</u>	<u>11</u>	<u>\$ 1,221,619</u>	<u>10</u>
	2010		2009	
	Before Tax	After Tax	Before Tax	After Tax
EARNINGS PER SHARE (Note 21)				
Basic (New Taiwan dollars)	<u>\$ 3.02</u>	<u>\$ 2.50</u>	<u>\$ 1.90</u>	<u>\$ 2.07</u>
Diluted (New Taiwan dollars)	<u>\$ 3.02</u>	<u>\$ 2.50</u>	<u>\$ 1.90</u>	<u>\$ 2.07</u>

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

(With Deloitte & Touche audit report dated March 1, 2011)

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Dividends Per Share)

	Capital Stock Issued and Outstanding		Capital Surplus (Notes 2, 17 and 18)				Retained Earnings (Notes 2, 17 and 19)		Cumulative Translation Adjustment (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 22)	Treasury Stock (Notes 2 and 18)	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, 2009	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													
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	-	-	-	-	-	-	-	-	-	723,385	-	-	723,385
Adjustment recognized on equity-method investments	-	-	-	-	-	-	-	-	-	80,650	-	-	80,650
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	7,839	-	-	7,839
Change in translation adjustment	-	-	-	-	-	-	-	-	(142,829)	-	-	(9)	(142,838)
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
Appropriation of the 2009 earnings													
Legal reserve	-	-	-	-	-	-	122,147	(122,147)	-	-	-	-	-
Cash dividends - NT\$1.0 per share	-	-	-	-	-	-	-	(590,643)	-	-	-	-	(590,643)
Capital reduction	(40,643)	(406,431)	-	-	-	-	-	-	-	-	-	-	(406,431)
Net consolidated income for the year ended December 31, 2010	-	-	-	-	-	-	-	1,442,681	-	-	-	(736)	1,441,945
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	-	111,301	111,301
Change in unrealized gain (loss) on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	292,955	-	-	292,955
Adjustment recognized on equity-method investments	-	-	-	-	-	1,770	-	-	-	28,487	-	-	30,257
Change in unrealized gain (loss) on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	8,030	-	-	8,030
Change in translation adjustment	-	-	-	-	-	-	-	-	(649,774)	-	-	(10,207)	(659,981)
BALANCE, DECEMBER 31, 2010	<u>550,000</u>	<u>\$ 5,500,000</u>	<u>\$ 89</u>	<u>\$ 5,952</u>	<u>\$ 255</u>	<u>\$ 380,344</u>	<u>\$ 1,695,837</u>	<u>\$ 4,048,890</u>	<u>\$ (730,745)</u>	<u>\$ 1,292,520</u>	<u>\$ -</u>	<u>\$ 100,803</u>	<u>\$ 12,293,945</u>

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

(With Deloitte & Touche audit report dated March 1, 2011)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS****YEARS ENDED DECEMBER 31, 2010 AND 2009****(In Thousands of New Taiwan Dollars)**

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net consolidated income	\$ 1,441,945	\$ 1,221,619
Adjustment to reconcile net consolidated income to net cash provided by operating activities:		
Depreciation and amortization	846,338	874,942
Allowance for doubtful accounts	3,160	88,433
Compensation cost of employee stock options	-	6,047
Allowance (reversal of allowance) for loss on inventories	58,472	(68,153)
Net gains on disposal of investments	(230,955)	(59,407)
Realized loss on long-term investments	10,328	1,788
Cash dividends received from equity-method investees	65,695	7,207
Investment income recognized under the equity method	(40,853)	(59,836)
Loss (gain) on disposal of property, plant and equipment	(803)	4,895
Valuation loss (gain) on financial instruments	812	(812)
Impairment losses on goodwill and financial assets carried at cost	30,352	7,022
Amortization of premium on bond investments with no active market	4,616	172
Provision for pension costs	15,980	16,186
Deferred income taxes	181,175	(204,438)
Others	1,919	(887)
Net changes in operating assets and liabilities:		
Notes receivable	(10,773)	(9,471)
Accounts receivable	(250,798)	12,723
Receivable from related parties	445	1,599
Other financial assets	(11,749)	46,865
Inventories	(392,026)	795,360
Other current assets	15,305	7,550
Goodwill	1,466	3,077
Notes payable	(24,679)	35,380
Accounts payable	146,422	(225,050)
Income tax payable	29,699	29,674
Accrued expenses	53,710	31,377
Payable to related parties	6,514	23,001
Other current liabilities	12,748	27,601
Other liabilities	-	(371)
Net cash provided by operating activities	<u>1,964,465</u>	<u>2,614,093</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of available-for-sale financial assets	283,991	86,087
Acquisition of available-for-sale financial assets	(16,052)	-
Proceeds from disposal of financial assets carried at cost	81,353	5,403
Return of capital on financial assets carried at cost	16,829	25,988
Acquisition of financial assets carried at cost	(33,272)	(34,607)
Redemption of bond investments with no active market	31,874	-

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NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)**

	2010	2009
Acquisition of bond investments with no active market	\$ (121,153)	\$ (366,739)
Return of capital on investments accounted for by the equity method	65,405	58,304
Acquisition of investments accounted for by the equity method	(144,117)	-
Proceeds from disposal of investments accounted for by the equity method	-	27,273
Acquisition of property, plant and equipment	(366,602)	(446,936)
Proceeds from disposal of property, plant and equipment	106,461	2,679
Decrease (increase) in refundable deposits	1,063	(414)
Increase in deferred charges	(74,575)	(98,648)
Decrease in overdue receivable	-	3,505
Decrease in other assets	-	2,186
Net cash used in investing activities	<u>(168,795)</u>	<u>(735,919)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	421,915	(1,251,771)
Proceeds from long-term bank loans	-	337,105
Repayments of long-term bank loans	(612,000)	(299,353)
Increase in guarantee deposits received	6,812	5
Cash dividends paid	(590,643)	(295,321)
Capital reduction	(406,431)	-
Transfer of treasury stock to employees	-	26,929
Cash paid for acquisition of treasury stock	-	(744)
Increase in minority interest	64,975	-
Net cash used in financing activities	<u>(1,115,372)</u>	<u>(1,483,150)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(190,856)</u>	<u>(49,559)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	489,442	345,465
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>985,276</u>	<u>639,811</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 1,474,718</u>	<u>\$ 985,276</u>
SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	\$ 23,140	\$ 41,824
Less: Interest capitalized	-	1,700
Net interest paid excluding capitalized interest	<u>\$ 23,140</u>	<u>\$ 40,124</u>
Income tax paid	<u>\$ 157,196</u>	<u>\$ 122,318</u>

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NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)**

	2010	2009
NONCASH INVESTING AND FINANCING ACTIVITIES		
Available-for-sale financial assets - noncurrent reclassified to financial assets carried at cost	\$ 35,997	\$ -
Financial assets carried at cost reclassified to available-for-sale financial assets - current	\$ 47,080	\$ 52,357
Financial assets carried at cost reclassified to investments accounted for by the equity method	\$ -	\$ 31,596
Property, plant and equipment reclassified to deferred charges	\$ 38,360	\$ 3,191
Property, plant and equipment reclassified to assets leased to others	\$ 252,625	\$ -
Property, plant and equipment reclassified to idle assets	\$ 17,397	\$ -
Current portion of long-term bank loans	\$ 215,973	\$ 611,851
INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS		
Acquisition of property, plant and equipment	\$ 358,994	\$ 458,364
Decrease (increase) in payables for equipment purchased	7,608	(11,428)
Cash paid for the acquisition of property, plant and equipment	\$ 366,602	\$ 446,936
Increase in minority interest	\$ 111,301	\$ -
Investment of minority interest through technical know-how	(46,326)	-
Cash paid for the increase in minority interest	\$ 64,975	\$ -

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

(With Deloitte & Touche audit report dated March 1, 2011)

(Concluded)

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

(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 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.

To integrate internal resources, lower operating costs, and enhance operating efficiency, the Company modified its business model by controlling the management of the sewing departments of Chu Hsing Garment Co., Ltd. on July 1, 2010.

To improve the washing technique and increase the added value of jeans, the Company established C Square Investment Co., Ltd., C Square Garment Co., Ltd., and Foster Capital Management Inc. through Nien Hsing International (B.V.I.) Ltd. These subsidiaries expect to operate in 2011.

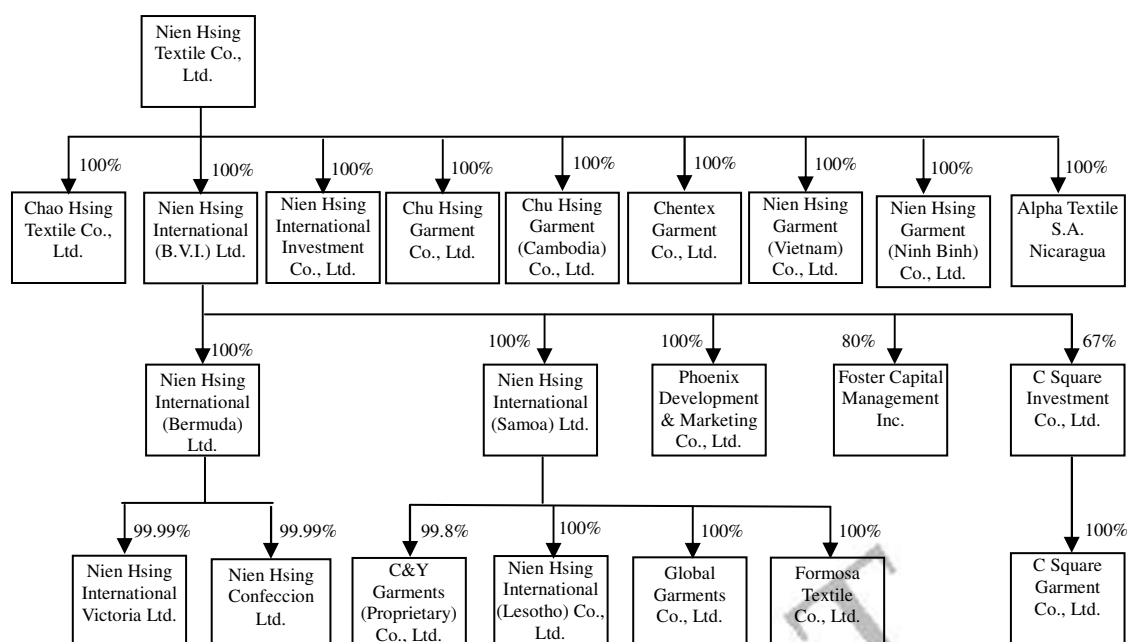
The Company's other subsidiaries were as follows:

- a. Chao Hsing Textile Co., Ltd. (CHTCL) - established in 1998. It mainly buys materials for fabric and clothes production. On December 31, 2010, its board of directors decided to close and liquidate CHTCL. As of March 1, 2011, the date of the accompanying auditors' report, CHTCL was undergoing liquidation.
- b. Nien Hsing International (B.V.I.) Ltd. - established in 1996 in the British Virgin Islands. It is a holding company.
- c. Nien Hsing International Investment Co., Ltd. - established in 2002 as an investment company.
- d. Chu Hsing Garment Co., Ltd. - established in 1971, it manufactures and sells fabrics and clothes. After it transferred the management of the sewing departments to the Company on July 1, 2010, its sole business became the selling of clothes for the Company.
- e. Chu Hsing Garment (Cambodia) Co., Ltd. - established in 1996 in Cambodia, it sews jeans for Chu Hsing Garment Co., Ltd. It has also sewn jeans for the Company since July 1, 2010.
- f. Chentex Garment Co., Ltd. - established in 2005 in Cambodia, it sews jeans for Chu Hsing Garment Co., Ltd. It has also sewn jeans for the Company since July 1, 2010.

- g. Nien Hsing Garment (Vietnam) Co., Ltd. - established in March 2007 in Vietnam. It sews jeans for the Company.
- h. Nien Hsing Garment (Ninh Binh) Co., Ltd. - established in April 2008 in Vietnam. It sews jeans for the Company.
- i. Alpha Textile S.A. (“Alpha”) - established in 2001 in Nicaragua. It dyes work clothes for the Company. To meet the requirements of the tax authorities in Nicaragua, the Company established Alpha Textile S.A. Nicaragua in December 2010 to take over the ordinary operation of Alpha and then closed Alpha’s operations.
- j. 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.
- k. Nien Hsing International (Samoa) Ltd. - established in November 2009. It is a holding company.
- l. 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.
- m. Foster Capital Management Inc. - established in April, 2010 in Samoa. It is responsible for acquiring the land for constructing the washing plant and will start a land rental business in 2011.
- n. C Square Investment Co., Ltd. - established in June, 2010 in Samoa. It is a holding Company.
- o. Nien Hsing International Victoria Ltd. - established in 1997 in Mexico. Its operations included manufacturing denims for Nien Hsing International (Bermuda) Ltd. It switched to the manufacturing of denims for Phoenix Development & Marketing Co., Ltd. on January 1, 2010.
- p. Nien Hsing Confeccion Ltd. - established in 1999 in Mexico. It sews jeans for the Company.
- q. C&Y Garments (Proprietary) Co., Ltd. - established in 1990 in Lesotho. It sews jeans for the Company.
- r. Nien Hsing International (Lesotho) Co., Ltd. - established in 2000 in Lesotho. It sews jeans for the Company.
- s. Global Garments Co., Ltd. - established in 2000 in Lesotho. It sews jeans for the Company.
- t. Formosa Textile Co., Ltd. - established in 2000 in Lesotho. It manufactured denims for Nien Hsing International (Bermuda) Ltd., and switched to the manufacturing of denims for the Company since January 1, 2010.
- u. C Square Garment Co., Ltd. - established in September 2010 in Cambodia. It washes jeans for the Company.

The Company and its subsidiaries had 23,412 and 20,430 employees as of December 31, 2010 and 2009, respectively.

The diagram below shows the Company's parent-subsidary structure and holding percentages as of December 31, 2010.



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 2010 and 2009 include the Company, Chao Hsing Textile Co., Ltd., 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., Alpha Textile S.A. (it closed in December 2010), Alpha Textile S.A. Nicaragua (it established in December 2010), Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd. (it established in November 2009), Phoenix Development & Marketing Co., Ltd. (it established in November 2009), Foster Capital Management Inc. (it established in April 2010), C Square Investment Co., Ltd. (it established in June 2010), 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., C Square Garment Co., Ltd. (it established in September 2010).

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, 2010 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 Group 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 Accounts

Revenue from sales of goods is recognized when the Group 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 Group does 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 Group 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 collectability of accounts receivable. The Group assesses 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. 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. Inventories are recorded at weighted-average cost.

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 Group holds 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 Group'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 Group'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.

When the Group subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Group 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 Group's share in losses of an equity-method investee equals its investment in that investee plus any advances made to the investee, the Group discontinues applying the equity method. The Group continues to recognize its share in the investee's losses at the percentage of its equity in the investee if the Group 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 Group 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 and Assets Leased to Others

Property, plant and equipment and assets leased to others 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: Land improvements - 3 to 4 years; buildings - 3 to 60 years; machinery and equipment - 3 to 11; transportation equipment - 2 to 10; miscellaneous equipment - 2 to 10; and other equipment - 3 to 20. Property, plant and equipment and assets leased to others that have reached their full residual values but are still being used by the Group are depreciated over their newly estimated service lives.

The related cost and accumulated depreciation of an item of property, plant and equipment & assets leased to others 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.

Intangible Assets

Intangible assets include technical know-how, which has a definite useful life. It is amortized over its estimated useful life on a straight line basis.

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

Idle Assets

Idle Assets are stated at the lower of recoverable amount or book value.

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 Group applies 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

Nonderivative 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, 2009 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2010.

3. EFFECTS OF CHANGE 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 - "Accounting for 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.

4. CASH AND CASH EQUIVALENTS

	2010	2009
Cash on hand	\$ 17,026	\$ 15,918
Bank deposits		
Checking accounts and demand deposits	50,283	26,267
Foreign-currency checking accounts and demand deposits	1,238,582	818,894
Time deposits - 2010: 4.70%-4.90% interest rate; 2009: 3.50% interest rate	33,269	29,224
Cash equivalents		
Short-term notes and bills with repurchase agreements, 2010: 0.35% yield rate; 2009: 0.20% yield rate	<u>135,558</u>	<u>94,973</u>
	<u>\$ 1,474,718</u>	<u>\$ 985,276</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 Group used forward exchange contracts in 2010 and 2009 to manage exposures due to exchange rate fluctuations. The financial risk management objective of the Group is to minimize risks due to changes in fair value or cash flows.

There were no outstanding forward exchange contracts as of December 31, 2010.

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 instruments held for trading, there were net losses of \$13,118 thousand in 2010 and \$2,704 thousand in 2009.

6. INVENTORIES, NET

	2010	2009
Raw materials	\$ 1,545,900	\$ 1,198,493
Work in process	845,680	960,293
Finished goods	535,131	296,738
Raw materials in transit	64,239	205,383
Supplies	<u>11,947</u>	<u>8,436</u>
	<u>\$ 3,002,897</u>	<u>\$ 2,669,343</u>

As of December 31, 2010 and 2009, the allowances for inventory devaluation were \$93,869 thousand and \$35,397 thousand, respectively.

The cost of inventories recognized as cost of goods sold in 2010 was \$11,362,682 thousand, which included the inventory write-down of \$58,472 thousand; gain on physical inventories of \$12,068 thousand; and scrap sales of \$115,038 thousand. 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.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2010		2009	
	Current	Noncurrent	Current	Noncurrent
Domestic listed and OTC stocks	\$ 537,631	\$ 705,613	\$ 404,535	\$ 618,008
Overseas listed and OTC stocks	<u>2,629</u>	<u>-</u>	<u>2,798</u>	<u>-</u>
	<u>\$ 540,260</u>	<u>\$ 705,613</u>	<u>\$ 407,333</u>	<u>\$ 618,008</u>

8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	2010	2009
Domestic emerging market common stocks	\$ 161,524	\$ 154,360
Domestic unquoted common stocks	188,289	222,278
Overseas unquoted common stocks	145,190	202,412
Other funds	<u>532,636</u>	<u>584,218</u>
	1,027,639	1,163,268
Prepayments for investments - domestic unquoted common stocks	<u>18,500</u>	<u>-</u>
	<u>\$ 1,046,139</u>	<u>\$ 1,163,268</u>

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

In the fourth quarter of 2010, the Company transferred the investment in Roo Hsing Co., Ltd. from available-for-sale financial assets to financial assets carried at cost - noncurrent at the book value of \$35,997 thousand.

Inno Stream Consulting Investment Inc. decreased its capital at a ratio of 100 shares for every one thousand shares and thus made capital returns to the Company of \$1,083 thousand in 2010 and \$1,203 thousand in 2009.

Der Yang Biotechnology Venture Capital Co., Ltd. decreased its capital at a ratio of 50 shares for every one thousand shares and thus made a capital return of \$276 thousand to the Company in 2010.

Mercury Venture Capital Co., Ltd. was liquidated completely and made a capital return to the Company of \$350 thousand in 2010 (the total capital to be returned to the Company is \$10,000 thousand).

Chiabon Venture Capital Co., Ltd. was dissolved and made a capital return to the Company of \$15,120 thousand in 2010.

Exploit Technology Co., Ltd. decreased its capital to offset a deficit in 2010. Thus, the Group recognized a realized loss of \$10,328 thousand on long-term investments. The recoverable amount of the investment in Thousand Luck Limited was estimated to be less than its carrying amount. Thus, the Group recognized an investment impairment loss of \$6,300 thousand in 2010.

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

9. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	<u>December 31</u>	
	<u>2010</u>	<u>2009</u>
RABOBANK NEDERLAND	\$ 288,901	\$ 201,628
TWIN DRAGON MARKETING, INC.	<u>116,720</u>	<u>160,925</u>
	<u>\$ 405,621</u>	<u>\$ 362,553</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. (“TWIN DRAGON”). The preferred stockholders 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 all its preferred stockholding to Phoenix Development & Marketing Co., Ltd. (“Phoenix,” a Company subsidiary) at carrying amount. In 2010, TWIN DRAGON redeemed 1,000 shares of its preferred stock, a portion of Phoenix’s stockholding, at par value for a total amount of \$1,000 thousand.

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 and US\$3,000 thousand in 2009 and 2010. 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

	<u>2010</u>		<u>2009</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
C&D Capital Corp.	\$ 236,356	22.42	\$ 165,599	22.42
C&D Capital II Corp.	131,273	28.74	-	-
China International Investment Co., Ltd.	125,321	22.42	274,546	22.42
Grand Paper International (B.V.I.) Ltd.	70,656	37.00	67,646	37.00
Wu Hsing International Co., Ltd.	-	30.00	-	30.00
Top Fashion Industrial Co., Ltd.	<u>-</u>	30.00	<u>-</u>	30.00
	<u>\$ 563,606</u>		<u>\$ 507,791</u>	

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

	2010	2009
C&D Capital Corp.	\$ (9,065)	\$ (6,250)
C&D Capital II Corp.	(40)	-
China International Investment Co., Ltd.	34,470	58,780
Grand Paper International (B.V.I.) Ltd.	15,488	12,950
Wu Hsing International Co., Ltd.	-	-
Top Fashion Industrial Co., Ltd.	-	-
Grand Paper Industrial (B.V.I.) Ltd.	<u>-</u>	<u>(5,644)</u>
	<u>\$ 40,853</u>	<u>\$ 59,836</u>

The equity-method investees' financial statements, which had been used to determine the carrying amount of the Group's investments, had been audited, except those of Wu Hsing International Co., Ltd. and Top Fashion Industrial Co., Ltd. The Group 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 Group's financial statements.

Phoenix Development & Marketing Co., Ltd. (a Company subsidiary) participated in the common stock issuance by C&D Capital II Corp. and invested US\$4,500 thousand in 4,500 thousand shares in 2010.

Nien Hsing International (Bermuda) Co., Ltd. (a 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 2010, C&D Capital Corp. decreased its capital at a ratio of 50 shares for every one thousand shares and thus made a capital return of US\$280 thousand to Phoenix Development & Marketing Co., Ltd..

In May 2010 and December 2009, China International Investment Co., Ltd. decreased its capital at a ratio of 650.0 shares and 401.6 shares, respectively, for every one thousand shares and thus made capital returns of \$56,470 thousand and \$58,304 thousand, respectively, to the Company.

11. PROPERTY, PLANT AND EQUIPMENT

	2010	2009
Accumulated depreciation		
Land improvements	\$ 1,516	\$ 1,516
Buildings	1,105,127	1,066,017
Machinery and equipment	3,627,283	3,873,960
Transportation equipment	38,598	54,091
Office equipment	28,646	35,186
Miscellaneous equipment	<u>1,122,007</u>	<u>1,120,771</u>
	<u>\$ 5,923,177</u>	<u>\$ 6,151,541</u>

Capitalized interest in 2009 was \$1,700 thousand with a capitalization rate of 2.46%.

Depreciation expenses were \$745,713 thousand in 2010 and \$790,298 thousand in 2009.

The net carrying values of property, plant and equipment pledged or mortgaged as collaterals for bank loans as of December 31, 2010 and 2009 were \$292,404 thousand and \$300,987 thousand, respectively.

12. ASSETS LEASED TO OTHERS, NET

	2010
Cost	
Land	\$ 55,712
Buildings	<u>205,347</u>
	261,059
Less: Accumulated depreciation	
Buildings	<u>10,991</u>
Assets leased to others, net	<u>\$ 250,068</u>

Depreciation expense was \$1,063 thousand in 2010 (recognized under nonoperating expenses and losses - miscellaneous expenses).

13. 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, Mrs. Chen, Hong Yun, in the second quarter of 2008. The Company signed a trust deeds, first with Mr. Chen, Rong Ciou and then with Mrs. 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 have been applied for industrial purpose.

14. SHORT-TERM LOANS

	2010	2009
Credit loan from banks, interest rate at 0.7094%-0.7100% in 2010 and 0.8000%- 1.6800% in 2009	\$ 387,540	\$ 159,370
Usance letters of credit, interest rate at 0.7495%-1.8023%	<u>193,745</u>	<u>-</u>
	<u>\$ 581,285</u>	<u>\$ 159,370</u>

15. LONG-TERM BANK LOANS

	Current	Long-term	Total
<u>December 31, 2010</u>			
Loan: Repayment period - February 2009 to February 2012; annual interest rate - 2.68%; repayment amount - one third of principal in the third year and every six months thereafter.	\$ 103,973	\$ 51,987	\$ 155,960
Loan: Repayment period - May 2009 to May 2012; annual interest rate - 1.50%; repayment amount - one fifth of principal in May 2010 and every six months thereafter.	60,000	30,000	90,000
Loan: Repayment period - May 2009 to May 2012; annual interest rate - 1.50%; repayment amount - one fifth of principal in May 2010 and every six months thereafter.	<u>52,000</u>	<u>26,000</u>	<u>78,000</u>
	<u>\$ 215,973</u>	<u>\$ 107,987</u>	<u>\$ 323,960</u>
<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>

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 was at \$300,000 thousand semiannually starting from November 1, 2009 and maturity on November, 2010.

As of December 31, 2009, the Company had drawn down \$500,000 thousand on a credit line of \$600,000 thousand on the syndicated loan. Interest rate was 0.258% as of December 31, 2009.

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

16. PENSION PLANS

The pension plan under the Labor Pension Act (LPA) is a defined contribution plan. Based on the LPA, the rate of the monthly contributions of the Company and Chu Hsing Garment Co., Ltd. to their employees' individual pension accounts is at 6% of monthly salaries and wages. Related pension costs were \$18,295 thousand in 2010 and \$17,752 thousand in 2009.

Based on the defined benefit plan under the Labor Standards Law, 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 funds are deposited in the Bank of Taiwan in committees' name. Related pension costs were \$28,676 thousand for 2010 and \$29,630 thousand for 2009.

Under a group restructuring, Chu Hsing Garment Co., Ltd. transferred its employee and the related pension obligation to the Company in July, 2010.

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.

Other information on the defined benefit plan is as follows:

a. Components of net pension cost:

	<u>2010</u>	<u>2009</u>	
	<u>The Company</u>	<u>The Company</u>	<u>Subsidiary (Chu Hsing)</u>
Service cost	\$ 13,594	\$ 14,312	\$ 309
Interest cost	9,667	10,151	528
Projected return on plan assets	(1,983)	(2,506)	(96)
Amortization	<u>6,524</u>	<u>5,833</u>	<u>1,099</u>
Net periodic pension cost	<u>\$ 27,802</u>	<u>\$ 27,790</u>	<u>\$ 1,840</u>

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2010 and 2009:

	<u>2010</u>	<u>2009</u>	
	<u>The Company</u>	<u>The Company</u>	<u>Subsidiary (Chu Hsing)</u>
Benefit obligation			
Vested benefit obligation	\$ 75,588	\$ 45,358	\$ 1,382
Non-vested benefit obligation	<u>284,420</u>	<u>278,012</u>	<u>15,053</u>
Accumulated benefit obligation	360,008	323,370	16,435
Additional benefits based on future salaries	<u>102,385</u>	<u>97,950</u>	<u>5,766</u>
Projected benefit obligation	462,393	421,320	22,201
Fair value of plan assets	<u>(105,497)</u>	<u>(94,433)</u>	<u>(5,559)</u>
Funded status	356,896	326,887	16,642
Unrecognized prior service cost	(10,749)	(11,880)	-
Unrecognized net transition obligation	(23,846)	(13,323)	(14,287)
Unrecognized pension loss	(83,546)	(79,158)	(2,106)
Additional liability	<u>15,756</u>	<u>6,411</u>	<u>10,627</u>
Accrued pension cost	<u>\$ 254,511</u>	<u>\$ 228,937</u>	<u>\$ 10,876</u>
Vested benefit	<u>\$ 86,405</u>	<u>\$ 51,513</u>	<u>\$ 1,642</u>

c. Actuarial assumptions as of December 31, 2010 and 2009

	2010	2009	
	The Company	The Company	Subsidiary (Chu Hsing)
Discount rate used in determining present values	2.25%	2.25%	2.25%
Future salary increase rate	2.00%	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%	2.00%
	2010	2009	
	The Company	The Company	Subsidiary (Chu Hsing)
d. Contributions to the fund	<u>\$ 11,699</u>	<u>\$ 11,595</u>	<u>\$ 1,849</u>
e. Payments from the fund	<u>\$ 8,844</u>	<u>\$ 16,993</u>	<u>\$ -</u>

17. 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 2010, the bonus to employees was \$8,500 thousand and the remuneration to directors and supervisors was \$9,100 thousand. For 2009, the estimate of the bonus to employees was \$10,700 thousand and 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 2009 and 2008 earnings were approved in the stockholders' meetings on June 17, 2010 and June 16, 2009, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividend (Dollar)	
	2009	2008	2009	2008
Legal reserve	\$ 122,147	\$ 10,543		
Cash dividend	590,643	295,321	\$1.00	\$0.50

The above appropriations approved at the stockholders' meetings were the same as those approved by the board of directors on March 15, 2010 and March 31, 2009, respectively.

The bonus to employees of \$10,700 thousand and the remuneration to directors and supervisors of \$9,100 thousand for 2009 were approved in the stockholders' meeting on June 17, 2010. 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. The approved amounts of bonus to employees and remuneration to directors and supervisors were the same as the accrual amounts reflected in the financial statements for 2010 and 2009.

The stockholders' meeting also approved the reduction of cash capital and the reduction amount of \$406,431 thousand on June 17, 2010. After the reduction of cash capital, the balance of capital stock was \$5,500,000 thousand. This capital reduction was approved by the relevant authorities. The board of directors approved August 30, 2010 as the date of the capital reduction.

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>).

18. 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>

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.

19. 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:

	2010	2009
Income tax expense at statutory income tax rate	\$ 368,346	\$ 357,065
Tax effect of adjusting items		
Permanent differences	(102,988)	(434,941)
Temporary differences	(155,950)	215,934

(Continued)

	2010	2009
Loss carryforwards	\$ 1,679	\$ 13,611
Loss carryforwards used	<u>(13,519)</u>	<u>(61,870)</u>
	97,568	89,799
Additional income tax under the Alternative Minimum Tax Act	16,681	88,331
Additional 10% income tax on unappropriated earnings	50,884	-
Investment tax credits used	<u>(38,053)</u>	<u>(24,091)</u>
Current income tax expense	127,080	154,039
Deferred income tax expense		
Temporary differences	170,790	(172,229)
Loss carryforwards	14,937	48,259
Valuation allowance	4,869	(45,216)
Effect of tax law changes on deferred income tax	(6,046)	(30,268)
Adjustment of valuation allowance due to changes in tax laws	(3,375)	(4,984)
Tax separately levied on interest from short-term bills	-	36
Adjustments for prior years' tax	<u>59,803</u>	<u>(2,086)</u>
Income tax expense (benefit)	<u>\$ 368,058</u>	<u>\$ (52,449)</u> (Concluded)

In 2010 and 2009, the Legislative Yuan passed the following amendments to tax laws:

- 1) January 2009 - the amendment of Article 39 of the Income Tax Law, which extends the operating loss carryforward period from 5 years to 10 years;
- 2) March 2009 - the amendment of Article 24 of the Income Tax Law, which requires (a) a profit-seeking enterprise that invests in short-term notes for which the issuance dates are on and after January 1, 2010 to include the related interest income, which was taxed separately before January 1, 2010, in its taxable income; and (b) a profit-seeking enterprise that invests in beneficiary securities or asset-based securities issued under the Financial Asset Securitization Act or Real Estate Securitization Act to include, from January 1, 2010, the related interest income, which was taxed separately before January 1, 2010, in its taxable income;
- 3) May 2009 - the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 25% to 20%, effective January 1, 2010;
- 4) May 2010 - the amendment of Article 5 of the Income Tax Law, which reduced a profit-seeking enterprise's income tax rate from 20% to 17%, effective January 1, 2010.

Income tax returns (ITRs) of the Company, Chao Hsing Textile Co., Ltd., Chu Hsing Garment Co., Ltd. and Nien Hsing International Investment Co., Ltd. through 2008 had been examined and cleared by the tax authorities. The income tax adjustments assessed by the tax authorities for the year 2008 and 2007 have been recognized accordingly and paid in January 2011.

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

	2010	2009
Provision for pension cost	\$ 39,809	\$ 43,657
Allowance for loss on inventories	15,958	7,080
Allowance for doubtful accounts	13,234	13,508
Loss carryforwards	12,641	30,552
		(Continued)

	2010	2009
Unrealized foreign exchange loss	\$ 4,500	\$ 2,121
Unrealized loss on investments	2,754	9,230
Unrealized other loss	1,357	-
Interest capitalization	63	149
Income on overseas investments	<u>(216,510)</u>	<u>(52,810)</u>
	(126,194)	53,487
Less: Valuation allowance	<u>(24,082)</u>	<u>(22,588)</u>
Deferred tax assets (liabilities), net	<u>\$ (150,276)</u>	<u>\$ 30,899</u>
Deferred tax assets - current	\$ 32,371	\$ 39,610
Deferred tax assets - noncurrent	-	308
Deferred tax liabilities - noncurrent	<u>(182,647)</u>	<u>(9,019)</u>
	<u>\$ (150,276)</u>	<u>\$ 30,899</u>
		(Concluded)

As of December 31, 2010, 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	\$ 561	\$ -	2014
2008	-	34	2018
2009	-	10,367	2019
2010	<u>-</u>	<u>1,679</u>	2020
	<u>\$ 561</u>	<u>\$ 12,080</u>	

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

	<u>December 31</u>	
	2010	2009
Balances of the imputation credit account (ICA) of the Company	<u>\$ 372,168</u>	<u>\$ 294,220</u>

The creditable ratio for distribution of earnings of 2010 and 2009 was 12.75% (estimate) and 14.88%, 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 2010 earnings may be adjusted, depending on the ICA balance on the date of dividend distribution.

d. Unappropriated earnings were as follows:

The unappropriated earnings in 2010 and 2009 included earnings of \$365,055 thousand generated before 1998.

Under the tax laws of the territories where they are based, Nien Hsing International (B.V.I.) Co., Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., Phoenix Development & Marketing Co., Ltd., Foster Capital Management Inc., and C Square Investment Co., Ltd. are exempt from income taxes.

Under Mexico's laws, the income tax payable of Nien Hsing International Victoria Ltd. and Nien Hsing Confection Ltd. is the taxable income multiplied by a certain tax rate. The taxable income is based on assets net of certain liabilities.

Under Managua's laws, Alpha Textile S.A. and Alpha Textile S.A. Nicaragua are exempt from income taxes for 10 years from 2001 and 2011, respectively.

C&Y Garments (Proprietary) Co., Ltd., Nien Hsing International (Lesotho) Co., Ltd., Global Garments Co., Ltd., Formosa Textile 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. and C Square Garment Co., Ltd. authorized local agents to declare tax expense, as required under local requirements.

20. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	2010			Total
	Operating Cost	Operating Expense	Nonoperating Expense and Loss	
Personnel expense				
Salary	\$ 1,799,263	\$ 277,211	\$ -	\$ 2,076,474
Labor and health insurance	28,059	18,520	-	46,579
Pension cost	26,539	20,432	-	46,971
Other	86,779	14,858	-	101,637
	<u>\$ 1,940,640</u>	<u>\$ 331,021</u>	<u>\$ -</u>	<u>\$ 2,271,661</u>
Depreciation	<u>\$ 725,896</u>	<u>\$ 19,817</u>	<u>\$ 1,063</u>	<u>\$ 746,776</u>
Amortization	<u>\$ 96,794</u>	<u>\$ 2,768</u>	<u>\$ -</u>	<u>\$ 99,562</u>
	2009			
	Operating Cost	Operating Expense	Nonoperating Expense and Loss	Total
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	22,177	-	47,382
Other	79,908	14,701	-	94,609
	<u>\$ 1,744,939</u>	<u>\$ 355,614</u>	<u>\$ -</u>	<u>\$ 2,100,553</u>
Depreciation	<u>\$ 770,166</u>	<u>\$ 20,132</u>	<u>\$ -</u>	<u>\$ 790,298</u>
Amortization	<u>\$ 80,468</u>	<u>\$ 4,176</u>	<u>\$ -</u>	<u>\$ 84,644</u>

21. EARNINGS PER SHARE

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

	<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>2010</u>					
Basic EPS					
Income for the year attributable to common stockholders	\$ 1,744,941	\$ 1,442,681	577,095	<u>\$ 3.02</u>	<u>\$ 2.50</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>711</u>		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 1,744,941</u>	<u>\$ 1,442,681</u>	<u>577,806</u>	<u>\$ 3.02</u>	<u>\$ 2.50</u>
<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>

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.

22. FINANCIAL INSTRUMENTS

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

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
<u>Financial assets</u>				
Cash and cash equivalents	\$ 1,474,718	\$ 1,474,718	\$ 985,276	\$ 985,276
Available-for-sale financial assets				
- current	540,260	540,260	407,333	407,333
Notes receivable	31,632	31,632	20,859	20,859
Accounts receivable, net	1,756,932	1,756,932	1,508,812	1,508,812
Accounts receivable from related parties	-	-	927	927
Other financial assets-current	22,994	22,994	11,245	11,245
Available-for-sale financial assets - noncurrent	705,613	705,613	618,008	618,008
Financial assets carried at cost - noncurrent	1,046,139	-	1,163,268	-
Bond investments with no active market - noncurrent	405,621	405,621	362,553	362,553
Refundable deposits	25,372	25,372	26,435	26,435
<u>Financial liabilities</u>				
Short-term loans	581,285	581,285	159,370	159,370
Notes payable	148,652	148,652	173,331	173,331
Accounts payable	492,709	492,709	346,287	346,287
Accrued expenses	545,593	545,593	491,883	491,883
Account payable to related parties	29,515	29,515	23,001	23,001
Long-term bank loans (including current portion)	323,960	323,960	935,811	935,811
Bonus payable to directors, supervisors and employees (shown as part of other current liabilities)	17,620	17,620	21,150	21,150
Payables for equipment purchased (shown as part of other current liabilities)	4,504	4,504	12,112	12,112
Guarantee deposits received	7,670	7,670	858	858

(Continued)

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Classification of derivative instruments on the basis of trader's territory</u>				
<u>Domestic</u>				
Financial assets at fair value through profit or loss - current	\$ -	\$ -	\$ 812	\$ 812
Hedging derivative liabilities - current	-	-	335	335
<u>Foreign</u>				
Hedging derivative liabilities - current	-	-	7,695	7,695 (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 at the interest rates the Company and its subsidiaries may obtain for similar loans.
- 6) The carrying amounts of refundable deposits and guarantee deposits received reflect their fair values.

- c. Fair values of financial assets and liabilities based on quoted market prices or valuation techniques were as follows:

	Quoted Market Prices		Valuation Techniques	
	December 31		December 31	
	2010	2009	2010	2009
Assets				
Financial assets at fair value through profit or loss	\$ -	\$ -	\$ -	\$ 812
Available-for-sale financial assets - current	540,260	407,333	-	-
Available-for-sale financial assets - noncurrent	705,613	618,008	-	-
Liabilities				
Hedging derivative liabilities - current	-	-	-	8,030

- d. The reversal of the valuation gain on financial instruments with fair values determined using valuation techniques was \$812 thousand for the year ended December 31, 2010.
- e. Financial liabilities exposed to fair value interest rate risk amounted to \$581,285 thousand and \$159,370 thousand as of December 31, 2010 and 2009, respectively. Financial liabilities exposed to cash flow interest rate risk amounted to \$323,960 thousand and \$935,811 thousand as of December 31, 2010 and 2009, 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 impact on financial assets that the Company and its subsidiaries might encounter if counter-parties or third parties breach financial instrument 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 \$1,245,873 thousand and \$1,026,153 thousand as of December 31, 2010 and 2009, 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	2010		2009	
	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	1,243,244	1,243,244	1,022,543	1,022,543
Overseas Listed and OTC stocks	<u>2,629</u>	<u>2,629</u>	<u>2,798</u>	<u>2,798</u>
	<u>\$ 1,245,873</u>	<u>\$ 1,245,873</u>	<u>\$ 1,026,153</u>	<u>\$ 1,026,153</u>

3) Liquidity risk

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

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

g. 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. The interest rate swaps and the hedging long-term bank loans with floating interest rate are due on November, 2010.

Hedged Item	Hedging Instrument	Fair Value as of December 31, 2010	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>\$ -</u>	2008-2010	2008-2010
			December 31	
			2010	2009
Adjustments to stockholders' equity			<u>\$ 8,030</u>	<u>\$ 7,839</u>

23. 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.
Wu Hsing International Co., Ltd.	Equity-method investee of the Company
Chen, Rong-Ciou	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 Note 13 of the consolidated financial statements, the transactions with the foregoing related parties are summarized as follows:

	<u>2010</u>		<u>2009</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>For the year</u>				
Processing income				
Grand Paper International (B.V.I.) Ltd.	\$ 19,809	57	\$ 16,474	93
Rental revenue				
Hong Yuan Investment Ltd.	\$ 26	-	\$ 26	4
Guo Jhong Investment Ltd.	26	-	26	4
Li Fong Investment Ltd.	26	-	26	3
	<u>\$ 78</u>	<u>-</u>	<u>\$ 78</u>	<u>11</u>
<u>At year-end</u>				
Accounts receivable				
Wu Hsing International Co., Ltd.	\$ -	-	\$ 482	52
Richard Garment S.A.	-	-	445	48
	<u>\$ -</u>	<u>-</u>	<u>\$ 927</u>	<u>100</u>
Accounts payable				
Grand Paper International (B.V.I.) Ltd.	\$ 29,515	100	\$ 23,001	100

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

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

c. Compensation of directors, supervisors and management personnel:

	2010	2009
Salaries	\$ 23,396	\$ 22,794
Incentives	25,972	22,946
Operating compensation	<u>4,131</u>	<u>4,654</u>
	<u>\$ 53,499</u>	<u>\$ 50,394</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.

24. ASSETS PLEDGED OR MORTGAGED

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

	2010	2009
Property, plant and equipment, net	<u>\$ 292,404</u>	<u>\$ 300,987</u>

25. COMMITMENTS

Unused letters of credit amounted to \$1,623,471 thousand as of December 31, 2010.

26. OTHERS

- a. 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.
- b. Nien Hsing International (B.V.I.) Ltd. evaluated the goodwill on the investment in Nien Hsing International (Bermuda) Ltd. because of a change in the related business model and recognized an impairment loss of \$24,052 thousand (US\$763 thousand) in 2010.
- c. Some subsidiaries located in Lesotho sold their duty credit certificates issued by the Southern African Customs Union for \$1,056,742 thousand in 2010 and \$317,324 thousand in 2009.

d. Significant financial assets and liabilities in foreign currency were as follows:

Unit: In thousands of Foreign Currency/New Taiwan Dollars

	December 31					
	2010			2009		
	Foreign Currency	Exchange Rate	New Taiwan Dollars	Foreign Currency	Exchange Rate	New Taiwan Dollars
<u>Finance assets</u>						
Monetary items						
USD	\$ 111,471	29.1800	\$ 3,252,713	\$ 77,540	32.1850	\$ 2,495,632
ZAR	35,588	4.4010	156,622	65,895	4.3480	286,510
PESO	14,223	2.3567	33,520	5,923	2.4675	14,614
VND	9,462,340	0.0015	14,584	3,565,565	0.0018	6,418
NIO	1,727	1.3335	2,302	1,761	1.5443	2,720
KHR	189,360	0.0070	1,325	443,471	0.0077	3,415
EUR	6	38.8030	220	4	46.1870	196
Available-for-sale financial assets						
USD	90	29.1800	2,629	87	32.1850	2,798
Financial assets carried at cost						
USD	23,229	29.1800	677,826	24,509	32.1850	788,822
Investments accounted for by the equity method						
USD	15,020	29.1800	438,285	7,247	32.1850	233,245
<u>Financial liabilities</u>						
Monetary items						
USD	25,532	29.1800	745,018	10,701	32.1850	344,416
ZAR	26,165	4.4010	115,154	11,371	4.3480	49,440
VND	67,812,474	0.0015	104,520	36,220,735	0.0018	65,197
PESO	26,574	2.3567	62,628	19,457	2.4675	48,010
KHR	7,876,414	0.0070	55,129	8,935,635	0.0077	68,804
NIO	3,908	1.3335	5,212	6,687	1.5443	10,327

27. 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 22

Subsidiaries did not enter into any forward exchange contracts in 2010 and 2009 except for Phoenix Development & Marketing Co., Ltd.

Phoenix Development & Marketing Co., Ltd. entered into forward exchange contracts in 2010 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, 2010. Net losses on derivatives were \$13,806 thousand in 2010.

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)

28. SEGMENT INFORMATION

a. Industry information. The Group spins cotton into yarns and weaves, dyes and manufactures fabrics and clothes, and these operations refer to only one industry.

b. Geographic information

	America	Africa	Asia	Domestic	Adjustments and Eliminations	Consolidated
<u>2010</u>						
Revenues from customers, excluding the Group	\$ 1,904,608	\$ 19,809	\$ 14,339	\$ 10,912,543	\$ -	\$ 12,851,299
Revenues from the Group	<u>926,774</u>	<u>1,935,205</u>	<u>1,316,211</u>	<u>1,649,827</u>	<u>(5,828,017)</u>	<u>-</u>
Total revenues	<u>\$ 2,831,382</u>	<u>\$ 1,955,014</u>	<u>\$ 1,330,550</u>	<u>\$ 12,562,370</u>	<u>\$ (5,828,017)</u>	<u>\$ 12,851,299</u>

(Continued)

	America	Africa	Asia	Domestic	Adjustments and Eliminations	Consolidated
Segment operating loss	\$ 256,930	\$ 3,288	\$ (156,343)	\$ 583,212	\$ (34,652)	\$ 652,435
Equity in investees' net loss						40,853
Other nonoperating income, net						1,473,243
Other nonoperating expenses						(334,782)
Interest expense						(21,746)
Income before income tax						\$ 1,810,003
Identifiable tangible assets	\$ 3,046,284	\$ 1,278,206	\$ 1,428,812	\$ 6,646,376	\$ -	\$ 12,399,678
Long-term equity investments						2,720,979
Total assets						\$ 15,120,657
<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	2,312,671	1,591,344	1,218,541	499,833	(5,622,389)	-
Total revenues	\$ 4,920,563	\$ 1,607,818	\$ 1,219,256	\$ 9,923,606	\$ (5,622,389)	\$ 12,048,854
Segment operating income	\$ 44,494	\$ 677	\$ 7,779	\$ 616,675	\$ 2,705	\$ 672,330
Equity in investees' net loss						59,836
Other nonoperating income, net						561,273
Other nonoperating expenses						(84,885)
Interest expense						(39,384)
Income before income tax						\$ 1,169,170
Identifiable tangible assets	\$ 3,145,232	\$ 1,528,378	\$ 1,614,533	\$ 5,739,483	\$ -	\$ 12,027,626
Long-term equity investments						2,651,620
Total assets						\$ 14,679,246
						(Concluded)

c. Export sales

Territory	2010	2009
America	\$ 7,849,748	\$ 7,784,743
Asia	2,656,620	1,163,599
Other	1,092,079	328,456
	\$ 11,598,447	\$ 9,276,798

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

Customers	2010		2009	
	Amount	%	Amount	%
A	\$ 2,799,976	22	\$ 2,377,219	20
B	1,641,331	13	1,658,755	14
C	1,200,599	9	1,333,229	11
D	1,000,374	8	1,218,744	10

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NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED
YEAR ENDED DECEMBER 31, 2010
(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)	\$ 3,657,943	\$ 1,777,665	\$ -	\$ -	-	\$ 6,095,571
		Phoenix Development & Marketing Co., Ltd.	(Note B)	3,657,943	2,239,638	1,663,260	-	14	6,095,571
		Chao Hsing Textile Co., Ltd.	(Note A)	3,657,943	350,000	250,000	-	2	6,095,571
		Nien Hsing International Investment Co., Ltd.	(Note A)	3,657,943	100,000	100,000	-	1	6,095,571
		Chu Hsing Garment Co., Ltd.	(Note A)	3,657,943	1,410,025	466,720	-	4	6,095,571

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 50% of the carrying value of its net assets, and maximum guarantee for each party is 30% of the carrying value of the Company's net assets.

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

MARKETABLE SECURITIES HELD

DECEMBER 31, 2010

(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2010				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	247,270	\$ 5,111,419	100.00	\$ 5,111,419	
	Nien Hsing International Investment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	2,000,000	698,208	100.00	698,208	
	Chao Hsing Textile Co., Ltd.	Subsidiary	Investments accounted for by the equity method	35,000,000	674,300	100.00	674,300	
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	571,567	100.00	571,567	
	Nien Hsing Garment (Vietnam) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	407,528	100.00	407,528	
	Chu Hsing Garment (Cambodia) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	14,000	293,965	100.00	293,965	
	Alpha Textile S.A. Nicaragua	Subsidiary	Investments accounted for by the equity method	1,000	207,178	100.00	207,178	
	Chu Hsing Garment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	5,000,000	148,519	100.00	148,519	
	China International Investment Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	3,040,698	125,321	22.42	125,321	
	Chentex Garment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	4,500	118,605	100.00	118,605	
	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	3,328,362	705,613	1.31	705,613	
	Mycenax Biotech Inc.	-	Financial assets carried at cost - noncurrent	7,000,000	107,100	14.00	24,584	
	Roo Hsing Co., Ltd.	-	Financial assets carried at cost - noncurrent	4,032,258	35,997	8.29	30,645	
	UFO Investment Corporation	-	Financial assets carried at cost - noncurrent	3,384,000	33,840	5.00	10,879	
	Leadray Energy Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,153,000	14,989	13.56	10,981	
	Inno Stream Consulting Investment Inc.	-	Financial assets carried at cost - noncurrent	974,727	9,748	8.33	9,351	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	Financial assets carried at cost - noncurrent	524,400	5,244	2.22	4,448	
	Ultra Chip, Inc.	-	Financial assets carried at cost - noncurrent	2,392,011	4,309	2.71	23,147	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Chiabon Venture Capital Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,800,000	\$ 2,880	3.00	\$ 9,197	
	Breeze Digital Technology Corp.	-	Financial assets carried at cost - noncurrent	147,000	-	2.94	146	
Nien Hsing International (B.V.I.) Ltd.	Nien Hsing International (Bermuda) Ltd.	Subsidiary	Investments accounted for by the equity method	29,400	698,756	100.00	698,756	
	Nien Hsing International (Samoa) Ltd.	Subsidiary	Investments accounted for by the equity method	40,300,000	2,069,277	100.00	2,069,277	
	Phoenix Development & Marketing Co., Ltd.	Subsidiary	Investments accounted for by the equity method	50,000,000	1,807,983	100.00	1,807,983	
	Foster Capital Management Inc.	Subsidiary	Investments accounted for by the equity method	1,800,000	58,313	80.00	58,313	
	C Square Investment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	6,017,964	173,065	67.00	173,065	
	RABOBANK NEDERLAND	-	Bond investments with no active market - noncurrent	8,000	288,901	-	288,901	
Nien Hsing International (Bermuda) Ltd.	Nien Hsing International Victoria Ltd.	Subsidiary	Investments accounted for by the equity method	47,410	567,123	99.99	567,123	
	Nien Hsing Confeccion Ltd.	Subsidiary	Investments accounted for by the equity method	4,628	(16,141)	99.99	(16,141)	
Nien Hsing International (Samoa) Ltd.	C&Y Garments (Proprietary) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	99,800	278,773	99.80	293,051	
	Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	200,000	289,930	100.00	289,930	
	Global Garment (Proprietary) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	100,000	268,767	100.00	268,767	
	Formosa Textile Co., Ltd.	Subsidiary	Investments accounted for by the equity method	100,000	410,859	100.00	410,859	
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	70,656	37.00	70,656	
	C&D Capital Corp.	Equity-method investee	Investments accounted for by the equity method	5,325,891	236,356	22.42	236,356	
	C&D Capital II Corp.	Equity-method investee	Investments accounted for by the equity method	4,500,000	131,273	28.74	131,273	
	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	2,629	0.11	2,629	
	TWIN DRAGON MARKETING, INC.	-	Bond investments with no active market - noncurrent	4,000	116,720	-	116,720	
	Prodigy Strategic Investment Fund XXI Segregated Portfolio	-	Financial assets carried at cost - noncurrent	18,439	532,636	-	514,141	
	PTS International, Inc.	-	Financial assets carried at cost - noncurrent	2,500,000	58,360	2.90	5,250	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Analogix Semiconductor, Inc.	-	Financial assets carried at cost - noncurrent	75,811	\$ 3,217	0.15	\$ 82	
	VeriSilicon Holdings (Cayman Islands) Co., Ltd.	-	Financial assets carried at cost - noncurrent	193,547	8,766	0.34	776	
	GEM Services, Inc.	-	Financial assets carried at cost - noncurrent	319,670	20,884	0.81	8,692	
	Paragon Wireless, Inc.	-	Financial assets carried at cost - noncurrent	431,542	-	0.97	-	
	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	1,551	0.10	225	
	Thousand Luck Limited	-	Financial assets carried at cost - noncurrent	200,000	-	1.33	214	
	Tong Yang Holding Corporation	-	Financial assets carried at cost - noncurrent	558,321	32,648	0.74	23,645	
	Saybot LLC	-	Financial assets carried at cost - noncurrent	113,733	5,100	0.72	775	
	Digital Knowledge World Co., Ltd.	-	Financial assets carried at cost - noncurrent	357,140	2,189	0.26	2,111	
	Summit Micrielectronics. Inc.	-	Financial assets carried at cost - noncurrent	123,000	8,973	0.16	-	
	Silergy Corp.	-	Financial assets carried at cost - noncurrent	240,031	3,502	0.87	1,933	
C Square Investment Co., Ltd.	C Square Garment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	400,000	11,214	100.00	11,214	
Nien Hsing International Investment Co., Ltd.	Taiflex Scientific Co., Ltd.	-	Available-for-sale financial asset - current	116,327	7,678	0.06	7,678	
	Entire Technology Co., Ltd.	-	Available-for-sale financial asset - current	515,128	69,800	0.42	69,800	
	Mstar Semiconductor Inc. (Cayman)	-	Available-for-sale financial asset - current	1,637,556	460,153	0.34	460,153	
	International United Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	153,162	-	0.76	-	
	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	438,108	4,609	0.94	5,274	
	Calitech Co., Ltd.	-	Financial assets carried at cost - noncurrent	592,832	7,205	2.43	7,902	
	Leader Visual-Audio Productions Co.	-	Financial assets carried at cost - noncurrent	880,000	14,784	2.93	10,133	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2010				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	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	1.21	1,696	
	Apaq Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	315,771	3,920	0.54	3,282	
	Moai Electronics Corporation	-	Financial assets carried at cost - noncurrent	208,269	4,000	0.84	2,097	
	Koatech Technology Corp.	-	Financial assets carried at cost - noncurrent	809,280	8,221	1.96	4,667	
	Brighton-Best International Inc.	-	Financial assets carried at cost - noncurrent	2,225,825	22,565	0.56	22,730	
	Alpha Optical Co., Ltd.	-	Financial assets carried at cost - noncurrent	601,000	6,780	1.14	5,168	
	Amazing Microelectronic Corp.	-	Financial assets carried at cost - noncurrent	284,000	11,300	0.98	3,754	
	Helio Optoelectronics Corporation	-	Financial assets carried at cost - noncurrent	207,876	3,878	1.04	2,827	
	Wisdom-Orgchem Inc.	-	Financial assets carried at cost - noncurrent	609,840	10,613	1.02	12,337	
	Leadray Energy Co., Ltd.	-	Financial assets carried at cost - noncurrent	200,000	11,500	2.35	1,905	1
	Mycenax Bigtech Inc.	-	Financial assets carried at cost - noncurrent	1,307,000	22,941	2.61	4,590	

Note 1. Prepayments for investments was \$18,500 thousand on December 31, 2010.

Note 2: 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, 2010
 (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 1)	Disposal				Ending Balance	
					Shares	Amount	Shares	Amount		Shares	Amount	Carrying Value	Gain (Loss) on Disposal	Shares	Amount
Nien Hsing Textile Co., Ltd.	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Investments accounted for by using equity method	-	-	-	\$ 575,021	-	\$ 105,661	\$ (109,115)	-	\$ -	\$ -	\$ -	-	\$ 571,567
	Alpha Textile S.A. Nicaragua	Investments accounted for by using equity method	-	-	-	-	1,000	208,634	(1,456)	-	-	-	-	1,000	207,178
Nien Hsing International (B.V.I.) Ltd.	Phoenix Development & Marketing Co., Ltd.	Investments accounted for by using equity method	-	-	37,289,893	1,211,918	12,710,107	403,165	192,900	-	-	-	-	50,000,000	1,807,983
	RABOBANK NEDERLAND	Bond investments with no active market	-	-	5,000	201,628	3,000	121,153	(33,880)	-	-	-	-	8,000	288,901
	C Square Investment Co., Ltd.	Investments accounted for by using equity method	-	-	-	-	6,017,964	193,398	(20,333)	-	-	-	-	6,017,964	173,065
Phoenix Development & Marketing Co., Ltd.	C&D Capital II Corp.	Investments accounted for by using equity method	-	-	-	-	4,500,000	144,117	(12,844)	-	-	-	-	4,500,000	131,273
Nien Hsing International (Samoa) Ltd.	Global Garments Co., Ltd.	Investments accounted for by using equity method	-	-	100,000	81,926	-	128,560	58,281	-	-	-	-	100,000	268,767
Nien Hsing International Investment Co., Ltd.	Entire Technology Co., Ltd.	Available-for-sale financial assets - current	-	-	1,205,439	277,251	351,689 (Note 2)	16,052	(192,648)	1,042,000	159,078	30,855	128,223	515,128	69,800

Note 1: The amount resulted from exchange rate fluctuations and investment adjustments recognized under equity method.

Note 2: 237,029 shares are appropriation of earnings by shares.

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, 2010
(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.	Chu Hsing Garment Co., Ltd.	Subsidiary	Sale	\$ (854,382)	(9)	Note B	-	Note B	\$ 49,151	3	Note C
	Chu Hsing Garment Co., Ltd.	Subsidiary	Purchase	341,152	6	Note B	-	Note B	-	-	Note C
	Chao Hsing Textile Co., Ltd.	Subsidiary	Purchase	336,044	5	Note B	-	Note B	(129,298)	(12)	Note C
	Formosa Textile Co., Ltd.	Subsidiary	Processing expense	434,895	12	Note A	Note A	Note A	-	-	Note C
	Nien Hsing Garment (Vietnam) Co., Ltd.	Subsidiary	Processing expense	417,087	11	Note A	Note A	Note A	(37,046)	(3)	Note C
	Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary	Processing expense	364,175	10	Note A	Note A	Note A	(62,410)	(6)	Note C
	Global Garments (Proprietary) Co., Ltd.	Subsidiary	Processing expense	342,102	9	Note A	Note A	Note A	(61,876)	(6)	Note C
	C&Y Garments (Proprietary) Co., Ltd.	Subsidiary	Processing expense	287,881	8	Note A	Note A	Note A	(150,705)	(14)	Note C
	Chu Hsing Garment (Cambodia) Co., Ltd.	Subsidiary	Processing expense	274,656	7	Note A	Note A	Note A	(81,037)	(7)	Note C
	Alpha Textile S.A	Subsidiary	Processing expense	183,225	5	Note A	Note A	Note A	-	-	Note C
	Chentex Garment Co., Ltd.	Subsidiary	Processing expense	142,239	4	Note A	Note A	Note A	(12,292)	(1)	Note C
	Chu Hsing Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Sales	(341,152)	(16)	Note B	-	Note B	-	-
Nien Hsing Textile Co., Ltd.		Parent company	Purchase	854,382	65	Note B	-	Note B	(49,151)	(100)	Note C
Chu Hsing Garment (Cambodia) Co., Ltd.		Same as parent company	Processing expense	274,185	66	Note A	Note A	Note A	-	-	Note C
Chentex Garment Co., Ltd.		Same as parent company	Processing expense	115,673	28	Note A	Note A	Note A	-	-	Note C
Chao Hsing Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Sales	(336,044)	(100)	Note B	-	Note B	129,298	31	Note C
Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(417,087)	(100)	Note A	Note A	Note A	37,046	98	Note C
Chu Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(274,656)	(49)	Note A	Note A	Note A	81,037	96	Note C
	Chu Hsing Garment Co., Ltd.	Same as parent company	Processing income	(274,185)	(49)	Note A	Note A	Note A	-	-	Note C
Chentex Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(142,239)	(54)	Note A	Note A	Note A	12,292	100	Note C
	Chu Hsing Garment Co., Ltd.	Parent company	Processing income	(115,673)	(44)	Note A	Note A	Note A	-	-	Note C
Alpha Textile S.A	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(183,225)	(100)	Note A	Note A	Note A	-	-	Note C
C&Y Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(287,881)	(99)	Note A	Note A	Note A	150,705	97	Note C
Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(364,175)	(99)	Note A	Note A	Note A	62,410	51	Note C
Global Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(342,102)	(99)	Note A	Note A	Note A	61,876	74	Note C
Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(434,895)	(96)	Note A	Note A	Note A	-	-	Note C
Phoenix Development & Marketing Co., Ltd.	Nien Hsing International Victoria Ltd.	Same as parent company	Processing expense	552,291	98	Note A	Note A	Note A	(58,655)	(68)	Note C
Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd.	Same as parent company	Processing income	(552,291)	(100)	Note A	Note A	Note A	58,655	60	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. Processing expense was calculated at the ratio of manufacturing expense.
- D. 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, 2010****(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		
Chao Hsing Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	\$ 129,298	Notes A	\$ -	-	\$ 4,614	\$ -
	Alpha Textile S.A. Nicargua	Same as parent company	162,688	Notes B	-	-	162,688	-
C&Y Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	150,705	Notes A	-	-	70,226	-

Notes:

A: Payments were made upon operation request.

B: It is proceeds of the disposal of property, plant and equipment.

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

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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, 2010
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Accumulated Investment Amount		Balance as of December 31, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2010	December 31, 2009	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	\$ 3,978,062	\$ 5,332,663	247,270	100.00	\$ 5,111,419	\$ 1,178,206	\$ 1,178,206	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	674,300	87,356	87,356	Subsidiary
	Alpha Textile S.A. Nicaragua	Km 15 1/2 Carretera Nueva a L'leon, Los Brasiles, Managua	Dyes leisure clothing	208,634	-	1,000	100.00	207,178	-	-	Subsidiary
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Ninh Phuc Industrial Zone, Ninh Binh City, Thai Binh Province, Vietnam	Manufactures jeans	714,092	608,431	-	100.00	571,567	(50,325)	(50,325)	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	407,528	(103,049)	(103,049)	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	20,000	55,256	2,000,000	100.00	698,208	163,588	163,588	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	293,965	(274)	(274)	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	131,360	341,360	5,000,000	100.00	148,519	87,310	87,310	Subsidiary
	China International Investment Co., Ltd.	28F, No. 97 Dunhua S. Rd., Sec. 2, Da-an Taipei, Taiwan 106, R.O.C.	Business Investment	5,208	61,678	3,040,698	22.42	125,321	153,717	34,470	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	118,605	(1,999)	(1,999)	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	538,101	1,262,258	29,400	100.00	698,756	42,280	41,355	Subsidiary
	Nien Hsing International (Samoa) Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Investment holding company	1,294,422	2,569,570	40,300,000	100.00	2,069,277	896,130	896,130	Subsidiary
	Phoenix Development & Marketing Co., Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Sells denims and makes business investments	1,602,769	1,199,604	50,000,000	100.00	1,807,983	246,727	246,727	Subsidiary
	Foster Capital Management Inc. C Square Investment Co., Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Business rental Investment holding company, also manufactures jeans	64,180 193,398	- -	1,800,000 6,017,964	80.00 67.00	58,313 173,065	(63) (4,092)	(51) (2,742)	Subsidiary Subsidiary
C Square Investment Co., Ltd.	C Square Garment Co., Ltd.	Phum Khtor Khum Prek Leap Russey Keo District, Phnom Penh Cambodia	Washes jeans	12,574	-	400,000	100.00	11,214	(494)	(494)	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	-	-	-	4,165	4,165	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	567,123	12,289	12,289	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	(16,141)	(7,342)	(7,342)	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Accumulated Investment Amount		Balance as of December 31, 2010			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note
				December 31, 2010	December 31, 2009	Shares	Percentage of Ownership	Carrying Value			
Nien Hsing International (Samoa) Ltd.	C&Y Garments (Proprietary) Co., Ltd.	Site No. 7D Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	\$ 105,226	\$ 169,543	99,800	99.80	\$ 278,773	\$ 313,526	\$ 312,899	Subsidiary
	Nien Hsing International (Lesotho) Co., Ltd.	Site No. 009 Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	10,562	397,000	200,000	100.00	289,930	301,058	301,058	Subsidiary
	Global Garments Co., Ltd.	Site No. 12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	Manufactures jeans	150,535	81,150	100,000	100.00	268,767	141,986	141,986	Subsidiary
	Formosa Textile Co., Ltd.	827 Thetsane Industrial Area, Maseru 100. Lesotho	Manufactures denims	280,856	726,981	100,000	100.00	410,859	141,769	141,769	Subsidiary
Phoenix Development & Marketing Co., Ltd.	Grand Paper International (B.V.I.) Ltd.	Private Bag A438 Maseru 100 Lesotho	Manufactures and sells cartons	37,713	37,713	1,110,000	37.00	70,656	41,859	15,488	Equity-method investee
	C&D Capital Corp.	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	Business investment	172,142	181,932	5,325,891	22.42	236,356	(40,427)	(9,065)	Equity-method investee
	C&D Capital II Corp.	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Business investment	144,117	-	4,500,000	28.74	131,273	(214)	(40)	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	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, 2010
(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 January 1, 2010	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2010	% Ownership of Direct and Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2010	Accumulated Inward Remittance of Earnings as of December 31, 2010
					Outflow	Inflow					
C.N.YES (Shanghai) Ltd.	Processes and supplies information	\$ 265,509	Indirect: Through an investment company registered in a third region	\$ 2,540	\$ -	\$ -	\$ 2,540	-	\$ -	\$ -	\$ -
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	510,650	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	379,340	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	157,572	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	43,770	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	35,016	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	787,860	Indirect: Through an investment company registered in a third region	6,342	-	-	6,342	0.36%	-	-	-
Harbin Hafei Tong Yang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	350,160	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	43,770	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	350,160	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	87,540	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	379,340	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	583,600	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	10,505	Indirect: Through an investment company registered in a third region	28	-	-	28	-	-	-	-

Accumulated Investment in Mainland China as of December 31, 2010	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$31,869	\$29,329	-

NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY TRANSACTIONS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

2010

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	\$ 854,382	Note B	6.65
		Chu Hsing Garment Co., Ltd.	1	Rent revenue	1,246	Note D	0.01
		Chu Hsing Garment Co., Ltd.	1	Receivable from related parties	49,151	Note B	0.33
		Nien Hsing International Investment Co., Ltd.	1	Rent revenue	25	Note D	-
		Chu Hsing Garment (Cambodia) Co., Ltd.	1	Sales revenue	3,465	Note B	0.03
		Chu Hsing Garment (Cambodia) Co., Ltd.	1	Other revenue	421	Note D	-
		Chu Hsing Garment (Ninh Binh) Co., Ltd.	1	Other revenue	2,529	Note D	0.02
		Chu Hsing Garment (Ninh Binh) Co., Ltd.	1	Receivable from related parties	10,776	Note B	0.07
		Alpha Textile S.A. Nicaragua	1	Receivable from related parties	2,640	Note B	0.02
		Phoenix Development & Marketing Co., Ltd.	1	Service revenue	12,552	Note D	0.10
		Phoenix Development & Marketing Co., Ltd.	1	Receivable from related parties	16,505	Note B	0.11
		Nien Hsing International (Bermuda) Ltd.	1	Service revenue	15,167	Note D	0.12
		Nien Hsing International (Bermuda) Ltd.	1	Receivable from related parties	15,167	Note B	0.10
		Nien Hsing International (Samoa) Ltd.	1	Receivable from related parties	2,786	Note B	0.02
		C Square Investment Co., Ltd.	1	Receivable from related parties	1,121	Note B	0.01
Formosa Textile Co., Ltd.	1	Receivable from related parties	74,998	Note B	0.50		
1	Chao Hsing Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Sales revenue	336,044	Note B	2.61
		Nien Hsing Textile Co., Ltd.	2	Rent revenue	48,621	Note D	0.38
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	129,298	Note B	0.86
		C&Y Garments (Proprietary) Co., Ltd.	3	Commission revenue	11,474	Note D	0.09
		C&Y Garments (Proprietary) Co., Ltd.	3	Receivable from related parties	29,956	Note B	0.20
		Nien Hsing International (Lesotho) Co., Ltd.	3	Commission revenue	31,025	Note D	0.24
		Nien Hsing International (Lesotho) Co., Ltd.	3	Receivable from related parties	50,779	Note B	0.34
		Global Garment Co., Ltd.	3	Commission revenue	72,119	Note D	0.56
		Global Garment Co., Ltd.	3	Receivable from related parties	48,379	Note B	0.32
		Alpha Textile S.A. Nicaragua	3	Receivable from related parties	162,688	Note B	1.08
2	Chu Hsing Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Sales revenue	341,152	Note B	2.65
		Nien Hsing Textile Co., Ltd.	2	Service revenue	167	Note D	-
3	Chu Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	274,656	Note C	2.14
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	81,037	Note B	0.54
		Chu Hsing Garment Co., Ltd.	3	Processing income	274,185	Note C	2.13
		Chentex Garment Co., Ltd.	3	Processing income	308	Note C	-
		Chentex Garment Co., Ltd.	3	Receivable from related parties	287	Note B	-
		C Square Investment Co., Ltd.	3	Other revenue	4,709	Note D	0.04

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
		C Square Investment Co., Ltd. C Square Garment Co., Ltd.	3 3	Receivable from related parties Receivable from related parties	\$ 1,814 1,181	Note B Note B	0.01 0.01
4	Chentex Garment Co., Ltd.	Chu Hsing Garment Co., Ltd. Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd. Chu Hsing Garment (Cambodia) Co., Ltd.	3 2 2 3	Processing income Processing income Receivable from related parties Processing income	115,673 142,239 12,292 254	Note C Note C Note B Note C	0.90 1.11 0.08 -
5	Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd.	2 2	Processing income Receivable from related parties	417,087 37,046	Note C Note B	3.25 0.25
6	Chu Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd. Nien Hsing Garment (Vietnam) Co., Ltd. Nien Hsing Garment (Vietnam) Co., Ltd.	2 3 3	Processing income Processing income Receivable from related parties	90,781 3,263 879	Note C Note C Note B	0.71 0.03 0.01
7	Alpha Textile S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	183,225	Note C	1.43
8	Nien Hsing International (Bermuda) Ltd.	Phoenix Development & Marketing Co., Ltd. Phoenix Development & Marketing Co., Ltd.	3 3	Rent revenue Receivable from related parties	98,804 7,798	Note D Note B	0.77 0.05
9	Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd. Phoenix Development & Marketing Co., Ltd. Nien Hsing Confeccion Ltd.	3 3 3	Processing income Receivable from related parties Receivable from related parties	552,291 58,655 21,316	Note C Note B Note B	4.30 0.39 0.14
10	Nien Hsing International (Samoa) Ltd.	Nien Hsing Textile Co., Ltd. Formosa Textile Co., Ltd.	2 3	Rent revenue Receivable from related parties	227,369 8,155	Note D Note B	1.77 0.05
11	C&Y Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd. Nien Hsing International (Lesotho) Co., Ltd. Global Garment Co., Ltd. Formosa Textile Co., Ltd.	2 2 3 3 3	Processing income Receivable from related parties Processing income Processing income Receivable from related parties	287,881 150,705 1,847 663 4,306	Note C Note B Note C Note C Note B	2.24 1.00 0.01 0.01 0.03
12	Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd. C&Y Garments (Proprietary) Co., Ltd. C&Y Garments (Proprietary) Co., Ltd. Global Garment Co., Ltd. Global Garment Co., Ltd. Global Garment Co., Ltd. Global Garment Co., Ltd. Formosa Textile Co., Ltd. Nien Hsing International (Samoa) Ltd.	2 2 3 3 3 3 3 3 3 3	Processing income Receivable from related parties Processing income Receivable from related parties Processing income Receivable from related parties Receivable from related parties Rent revenue Receivable from related parties Receivable from related parties	364,175 62,410 200 1,383 1,780 47 3,473 4,055 52,869	Note C Note B Note C Note B Note C Note B Note B Note D Note B Note B	2.83 0.41 - 0.01 0.01 - 0.03 0.03 0.35
13	Global Garment Co., Ltd.	Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd. C&Y Garments (Proprietary) Co., Ltd. C&Y Garments (Proprietary) Co., Ltd.	2 2 3 3	Processing income Receivable from related parties Processing income Receivable from related parties	342,102 61,876 125 432	Note C Note B Note C Note B	2.66 0.41 - -

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
		Nien Hsing International (Lesotho) Co., Ltd.	3	Processing income	\$ 3,211	Note C	0.02
		Nien Hsing International (Samoa) Ltd.	3	Receivable from related parties	21,061	Note B	0.14
14	Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	434,895	Note C	3.38
		Nien Hsing International (Bermuda) Ltd.	3	Receivable from related parties	972	Note B	0.01
		Global Garment Co., Ltd.	3	Receivable from related parties	270	Note B	-
15	C Square Investment Co., Ltd.	Chu Hsing Garment (Cambodia) Co., Ltd.	3	Other revenue	2,713	Note D	0.02

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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	\$ 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

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
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
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)

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)

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