

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

**Consolidated Financial Statements for the  
Years Ended December 31, 2011 and 2010 and  
Independent Auditors' Report**

## **REPRESENTATION LETTER**

The entities to be included in the combined financial statements of Nien Hsing Textile Co., Ltd. as of and for the year ended December 31, 2011, 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

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CHAO-GUO, CHEN  
Chairman

March 20, 2012

## 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. (the "Company") and subsidiaries as of December 31, 2011 and 2010 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 position of Nien Hsing Textile Co., Ltd. and subsidiaries as of December 31, 2011 and 2010 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.

March 20, 2012

### 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, 2011 AND 2010**

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

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash and cash equivalents (Notes 2 and 4)	\$ 809,727	6	\$ 1,474,718	10	Short-term loans (Note 14)	\$ 702,091	5	\$ 581,285	4
Available-for-sale financial assets - current (Notes 2, 6 and 25)	650,157	4	540,260	4	Notes payable	87,710	1	148,652	1
Notes receivable (Notes 2 and 3)	16,895	-	31,632	-	Accounts payable	379,267	3	492,709	3
Accounts receivable, net of allowance for doubtful accounts of \$137,975 thousand in 2011 and \$151,633 thousand in 2010 (Notes 2 and 3)	2,065,482	14	1,756,932	12	Payable to related parties (Note 22)	11,695	-	29,515	-
Other financial assets - current	30,539	-	22,994	-	Income tax payable (Notes 2 and 18)	163,160	1	156,653	1
Inventories, net (Notes 2 and 7)	3,824,357	26	3,002,897	20	Accrued expenses	554,860	4	545,593	4
Deferred income tax assets - current (Notes 2 and 18)	82,261	1	32,371	-	Other payables (Note 17)	55,435	-	54,670	-
Other current assets	234,759	2	228,926	1	Advance receipts	29,496	-	6,890	-
Total current assets	7,714,177	53	7,090,730	47	Current portion of long-term bank loans (Notes 15 and 23)	107,987	1	215,973	2
					Other current liabilities	176,258	1	41,957	-
					Total current liabilities	2,267,959	16	2,273,897	15
<b>LONG-TERM INVESTMENTS (Notes 2, 6, 8, 9 and 10)</b>					<b>LONG-TERM LIABILITIES</b>				
Available-for-sale financial assets - noncurrent	-	-	705,613	4	Bank loans, net of current portion (Notes 15 and 23)	630,000	4	107,987	1
Financial assets carried at cost - noncurrent	1,037,269	7	1,046,139	7	<b>OTHER LIABILITIES</b>				
Bond investments with no active market - noncurrent	540,639	4	405,621	3	Accrued pension cost (Notes 2 and 16)	253,735	2	254,511	2
Investments accounted for by the equity method	359,266	2	563,606	4	Guarantee deposits received	2,036	-	7,670	-
Total long-term investments	1,937,174	13	2,720,979	18	Deferred income tax liabilities (Notes 2 and 18)	231,276	1	182,647	1
					Total other liabilities	487,047	3	444,828	3
<b>PROPERTY, PLANT AND EQUIPMENT (Notes 2, 11 and 23)</b>					Total liabilities	3,385,006	23	2,826,712	19
Cost					<b>STOCKHOLDERS' EQUITY</b>				
Land	405,779	3	401,738	3	Capital stock of parent company - NT\$10.00 par value				
Land improvements	1,516	-	1,516	-	Authorized - 600,000 thousand shares				
Buildings	3,263,520	22	3,152,348	21	Issued and outstanding - 481,250 thousand shares in 2011; 550,000 thousand shares in 2010	4,812,500	33	5,500,000	36
Machinery and equipment	5,705,230	39	5,596,477	37	Capital surplus				
Transportation equipment	75,974	-	70,461	1	Issue of stock in excess of par value	89	-	89	-
Office equipment	37,048	-	31,827	-	Treasury stock transactions	5,952	-	5,952	-
Miscellaneous equipment	1,409,500	10	1,419,163	9	Gain on disposal of property, plant and equipment	255	-	255	-
Total cost	10,898,567	74	10,673,530	71	From business combinations	380,344	3	380,344	2
Less: Accumulated depreciation	6,639,930	45	5,923,177	39	Total capital surplus	386,640	3	386,640	2
Constructions in progress and prepayments for equipment	287,108	2	57,926	-	Retained earnings				
Net property, plant and equipment	4,545,745	31	4,808,279	32	Legal reserve	1,840,105	12	1,695,837	11
					Unappropriated earnings	3,973,081	27	4,048,890	27
<b>INTANGIBLE ASSETS</b>					Total retained earnings	5,813,186	39	5,744,727	38
Deferred pension costs (Notes 2 and 16)	-	-	15,756	-	Others				
Technical know-how (Note 2)	44,846	-	43,246	-	Cumulative translation adjustments	(432,597)	(3)	(730,745)	(5)
Total intangible assets	44,846	-	59,002	-	Unrealized gain on financial instruments	625,395	4	1,292,520	9
					Total others	192,798	1	561,775	4
<b>OTHER ASSETS</b>					Minority interest	101,833	1	100,803	1
Assets leased to others, net (Notes 2 and 12)	229,706	2	250,068	2	Total stockholders' equity	11,306,957	77	12,293,945	81
Idle assets (Notes 2 and 11)	43,173	-	17,397	-					
Refundable deposit	20,005	-	25,372	-					
Deferred charges, net (Note 2)	135,292	1	126,985	1					
Others (Note 13)	21,845	-	21,845	-					
Total other assets	450,021	3	441,667	3					
<b>TOTAL</b>	<b>\$ 14,691,963</b>	<b>100</b>	<b>\$ 15,120,657</b>	<b>100</b>	<b>TOTAL</b>	<b>\$ 14,691,963</b>	<b>100</b>	<b>\$ 15,120,657</b>	<b>100</b>

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

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUES (Notes 2, 22 and 28)				
Sales	\$ 13,101,304	100	\$ 12,855,246	100
Less: Sales returns and allowances	<u>18,175</u>	<u>-</u>	<u>38,726</u>	<u>-</u>
Net sales	13,083,129	100	12,816,520	100
Processing income	<u>24,257</u>	<u>-</u>	<u>34,779</u>	<u>-</u>
Total operating revenues	<u>13,107,386</u>	<u>100</u>	<u>12,851,299</u>	<u>100</u>
OPERATING COSTS (Notes 2, 7 and 19)				
Cost of goods sold	11,801,094	90	11,362,682	89
Processing cost	<u>24,138</u>	<u>-</u>	<u>37,202</u>	<u>-</u>
Total operating costs	<u>11,825,232</u>	<u>90</u>	<u>11,399,884</u>	<u>89</u>
GROSS PROFIT	<u>1,282,154</u>	<u>10</u>	<u>1,451,415</u>	<u>11</u>
OPERATING EXPENSES (Note 19)				
Selling	418,720	3	501,658	4
Administrative	221,558	2	240,574	2
Research and development	<u>81,578</u>	<u>1</u>	<u>56,748</u>	<u>-</u>
Total operating expenses	<u>721,856</u>	<u>6</u>	<u>798,980</u>	<u>6</u>
OPERATING INCOME	<u>560,298</u>	<u>4</u>	<u>652,435</u>	<u>5</u>
NONOPERATING INCOME AND GAINS				
Interest income	36,760	-	35,683	-
Investment income recognized under the equity method (Notes 2 and 10)	42,043	-	40,853	1
Dividend income	46,952	-	22,989	-
Gain on disposal of property, plant and equipment (Note 2)	-	-	803	-
Gain on disposal of investments, net (Notes 2, 6 and 8)	256,852	2	230,955	2
Rental revenue (Note 22)	21,077	-	15,223	-
Gain on reversal of bad debts (Notes 2 and 3)	7,219	-	-	-
Refund of customs duties (Note 26)	193,743	2	1,056,742	8
Valuation gain on financial assets (Notes 2, 5 and 21)	-	-	871	-
Miscellaneous income	<u>103,712</u>	<u>1</u>	<u>110,848</u>	<u>1</u>
Total nonoperating income and gains	<u>708,358</u>	<u>5</u>	<u>1,514,967</u>	<u>12</u>

(Continued)

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
<b>NONOPERATING EXPENSES AND LOSSES</b>				
Interest expense	\$ 18,114	-	\$ 21,746	-
Loss on disposal of property, plant and equipment (Note 2)	29,419	-	-	-
Realized loss on long-term investments (Notes 2 and 8)	-	-	10,328	-
Exchange loss, net (Note 2)	125,550	1	148,677	1
Impairment loss (Notes 2, 8 and 26)	21,027	-	30,352	1
Valuation loss on financial assets (Notes 2 and 5)	-	-	13,989	-
Miscellaneous expenses (Notes 12 and 19)	<u>129,439</u>	<u>1</u>	<u>132,307</u>	<u>1</u>
Total nonoperating expenses and losses	<u>323,549</u>	<u>2</u>	<u>357,399</u>	<u>3</u>
<b>INCOME BEFORE INCOME TAX</b>	945,107	7	1,810,003	14
<b>INCOME TAX EXPENSE</b> (Notes 2 and 18)	<u>195,011</u>	<u>1</u>	<u>368,058</u>	<u>3</u>
<b>NET CONSOLIDATED INCOME</b>	<u><u>\$ 750,096</u></u>	<u><u>6</u></u>	<u><u>\$ 1,441,945</u></u>	<u><u>11</u></u>
<b>NET INCOME ATTRIBUTED TO:</b>				
Stockholders of parent company	\$ 755,959	6	\$ 1,442,681	11
Minority interest	<u>(5,863)</u>	<u>-</u>	<u>(736)</u>	<u>-</u>
	<u><u>\$ 750,096</u></u>	<u><u>6</u></u>	<u><u>\$ 1,441,945</u></u>	<u><u>11</u></u>
			2010	
	Before Tax	After Tax	Before Tax	After Tax
<b>EARNINGS PER SHARE</b> (Note 20)				
Basic (New Taiwan dollars)	<u>\$ 1.78</u>	<u>\$ 1.44</u>	<u>\$ 3.02</u>	<u>\$ 2.50</u>
Diluted (New Taiwan dollars)	<u>\$ 1.78</u>	<u>\$ 1.44</u>	<u>\$ 3.02</u>	<u>\$ 2.50</u>

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

(Concluded)

**NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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

	Capital Stock		Capital Surplus (Notes 2, 17 and 18)				Retained Earnings		Cumulative Translation Adjustment (Note 2)	Unrealized Gain (Loss) on Financial Instruments (Notes 2 and 22)	Minority Interest	Total Stockholders' Equity
	Issued and Outstanding		Issue of Stock in Excess of Par Value	Treasury Stock Transaction	Gain on Disposal of Property, Plant and Equipment	From Business Combination	(Notes 2, 17 and 19)					
	Thousand Shares	Amount					Legal Reserve	Unappropriated Earnings				
BALANCE, JANUARY 1, 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\$1.00 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 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 on cash flow hedging financial instruments	-	-	-	-	-	-	-	-	-	8,030	-	8,030
Change in translation adjustment	-	-	-	-	-	-	-	-	(649,774)	-	(10,207)	(659,981)
BALANCE, DECEMBER 31, 2010	550,000	5,500,000	89	5,952	255	380,344	1,695,837	4,048,890	(730,745)	1,292,520	100,803	12,293,945
Appropriation of the 2010 earnings												
Legal reserve	-	-	-	-	-	-	144,268	(144,268)	-	-	-	-
Cash dividends - NT\$1.25 per share	-	-	-	-	-	-	-	(687,500)	-	-	-	(687,500)
Capital reduction	(68,750)	(687,500)	-	-	-	-	-	-	-	-	-	(687,500)
Net consolidated income for the year ended December 31, 2011	-	-	-	-	-	-	-	755,959	-	-	(5,863)	750,096
Increase in minority interests	-	-	-	-	-	-	-	-	-	-	3,860	3,860
Change in unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	(551,372)	-	(551,372)
Adjustment recognized on equity-method investments	-	-	-	-	-	-	-	-	-	(115,753)	-	(115,753)
Change in translation adjustment	-	-	-	-	-	-	-	-	298,148	-	3,033	301,181
BALANCE, DECEMBER 31, 2011	<u>481,250</u>	<u>\$ 4,812,500</u>	<u>\$ 89</u>	<u>\$ 5,952</u>	<u>\$ 255</u>	<u>\$ 380,344</u>	<u>\$ 1,840,105</u>	<u>\$ 3,973,081</u>	<u>\$ (432,597)</u>	<u>\$ 625,395</u>	<u>\$ 101,833</u>	<u>\$ 11,306,957</u>

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

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net consolidated income	\$ 750,096	\$ 1,441,945
Adjustment to reconcile net consolidated income to net cash provided by operating activities:		
Depreciation and amortization	808,685	846,338
Allowance (reversal of allowance) for doubtful accounts	(7,219)	3,160
Allowance (reversal of allowance) for loss on inventories	213,033	58,472
Net gains on disposal of investments	(256,852)	(230,955)
Realized loss on long-term investments	-	10,328
Cash dividends received from equity-method investees	48,058	65,695
Investment income recognized under the equity method	(42,043)	(40,853)
Loss (gain) on disposal of property, plant and equipment	29,419	(803)
Valuation loss on financial instruments	-	13,118
Impairment losses on goodwill and financial assets carried at cost	21,027	30,352
Amortization of premium on bond investments with no active market	7,468	4,616
Provision for pension costs	14,980	15,980
Deferred income taxes	(1,261)	181,175
Others	92,352	1,919
Net changes in operating assets and liabilities:		
Financial assets and liabilities at fair value through profit or loss	-	(12,306)
Notes receivable	14,737	(10,773)
Accounts receivable	(301,331)	(250,798)
Receivable from related parties	-	445
Other financial assets	(6,497)	(11,749)
Inventories	(1,034,493)	(392,026)
Other current assets	(5,833)	15,305
Goodwill	-	1,466
Notes payable	(60,942)	(24,679)
Accounts payable	(113,442)	146,422
Payable to related parties	(17,820)	6,514
Income tax payable	6,507	29,699
Accrued expenses	9,267	53,710
Other payables	765	6,304
Advance receipts	22,606	4,157
Other current liabilities	40,853	2,287
Net cash provided by operating activities	<u>232,120</u>	<u>1,964,465</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of available-for-sale financial assets	(6,874)	(16,052)
Proceeds of the disposal of available-for-sale financial assets	277,566	283,991
Return of capital on financial assets carried at cost	3,855	16,829
Acquisition of financial assets carried at cost	(3,111)	(33,272)
Proceeds of the disposal of financial assets carried at cost	41,267	81,353

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# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
Acquisition of bond investments with no active market	\$ (153,311)	\$ (121,153)
Redemption of bond investments with no active market	29,380	31,874
Return of capital on investments accounted for by the equity method	81,272	65,405
Acquisition of investments accounted for by the equity method	-	(144,117)
Acquisition of property, plant and equipment	(369,984)	(366,602)
Proceeds of the disposal of property, plant and equipment	23,978	106,461
Disposal of assets leased to others, net	(1,609)	-
Decrease in refundable deposits	5,367	1,063
Increase in deferred charges	<u>(109,058)</u>	<u>(74,575)</u>
Net cash used in investing activities	<u>(181,262)</u>	<u>(168,795)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Increase in short-term loans	120,806	421,915
Proceeds of long-term bank loans	630,000	-
Repayments of long-term bank loans	(215,973)	(612,000)
Increase (decrease) in guarantee deposits received	(5,634)	6,812
Cash dividends paid	(687,500)	(590,643)
Capital reduction	(687,500)	(406,431)
Increase in minority interest	<u>3,860</u>	<u>64,975</u>
Net cash used in financing activities	<u>(841,941)</u>	<u>(1,115,372)</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>126,092</u>	<u>(190,856)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(664,991)	489,442
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	<u>1,474,718</u>	<u>985,276</u>
CASH AND CASH EQUIVALENTS, END OF YEAR	<u>\$ 809,727</u>	<u>\$ 1,474,718</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>		
Interest paid	<u>\$ 17,945</u>	<u>\$ 23,140</u>
Income tax paid	<u>\$ 189,797</u>	<u>\$ 157,196</u>
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>		
Available-for-sale financial assets - noncurrent reclassified to available-for-sale financial assets - current	<u>\$ 648,032</u>	<u>\$ -</u>
Available-for-sale financial assets - noncurrent reclassified to financial assets carried at cost	<u>\$ -</u>	<u>\$ 35,997</u>
Financial assets carried at cost reclassified to available-for-sale financial assets - current	<u>\$ -</u>	<u>\$ 47,080</u>
Assets leased to others reclassified to property, plant and equipment	<u>\$ 9,498</u>	<u>\$ -</u>
Property, plant and equipment reclassified to assets leased to others	<u>\$ 721</u>	<u>\$ 252,625</u>
Property, plant and equipment reclassified to idle assets	<u>\$ 25,776</u>	<u>\$ 17,397</u>

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# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

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	2011	2010
Property, plant and equipment reclassified to deferred charges	\$ 473	\$ 38,360
Current portion of long-term bank loans	<u>\$ 107,987</u>	<u>\$ 215,973</u>
<b>INVESTING AND FINANCING ACTIVITIES AFFECTING BOTH CASH AND NONCASH ITEMS</b>		
Acquisition of property, plant and equipment	\$ 371,080	\$ 358,994
Decrease (increase) in payables for equipment purchased	<u>(1,096)</u>	<u>7,608</u>
Cash paid for the acquisition of property, plant and equipment	<u>\$ 369,984</u>	<u>\$ 366,602</u>
Increase in minority interest	\$ 3,860	\$ 111,301
Investment of minority interest through technical know-how	<u>-</u>	<u>(46,326)</u>
Cash paid for the increase in minority interest	<u>\$ 3,860</u>	<u>\$ 64,975</u>
Capital reduction and settlement refund of financial assets carried at cost	\$ 4,903	\$ 16,829
Increase in capital reduction receivable	<u>(1,048)</u>	<u>-</u>
Cash received on capital reduction and on liquidation of financial assets carried at cost	<u>\$ 3,855</u>	<u>\$ 16,829</u>

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

(Concluded)

# NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

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### 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 related 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. in 2010.

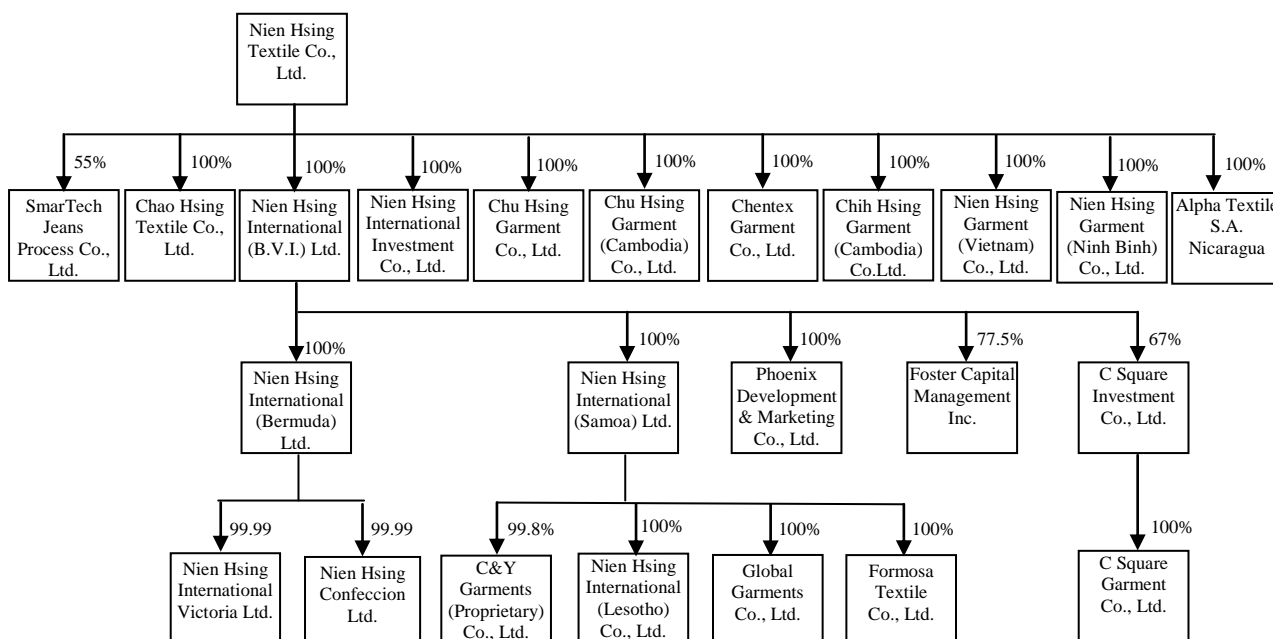
The Company’s other subsidiaries were as follows:

- 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 20, 2012, 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. On July 1, 2010 it transferred the management of the sewing departments to 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. (“Chentex”) - 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. The Company established Chih Hsing Garment (Cambodia) Co., Ltd. (“Chih Hsing”) in Cambodia in September 2011 to take over the operation of Chentex and then closed the operations of Chentex in December 2011. As of December 31, 2011, the factory of Chih Hsing was still under construction.

- 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 (“Alpha Nicaragua”) in December 2010 to take over the operation of Alpha and then closed Alpha’s operations.
- j. SmarTech Jeans Process Co., Ltd. - established in January 2011. It washes jeans for the Company.
- k. Nien Hsing International (Bermuda) Ltd. (“Nien Hsing Bermuda”) - established in 1997 in Bermuda. It manufactures and sells jeans. To respond to the Group’s restructuring, Nien Hsing Bermuda 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 Bermuda 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.
- l. Nien Hsing International (Samoa) Ltd. - established in November 2009. It is a holding company.
- m. 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.
- n. Foster Capital Management Inc. - established in April 2010 in Samoa. It acquired land for constructing a washing plant in Cambodia and then rented out the land and plant to C Square Investment Co., Ltd. for the latter’s jeans washing operation.
- o. C Square Investment Co., Ltd. - established in June 2010 in Samoa. It washes jeans for the Company.
- p. 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.
- q. Nien Hsing Confeccion Ltd. - established in 1999 in Mexico. It sews jeans for the Company.
- r. C&Y Garments (Proprietary) Co., Ltd. - established in 1990 in Lesotho. It sews jeans for the Company.
- s. Nien Hsing International (Lesotho) Co., Ltd. - established in 2000 in Lesotho. It sews jeans for the Company.
- t. Global Garments Co., Ltd. - established in 2000 in Lesotho. It sews jeans for the Company.
- u. 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 on January 1, 2010.
- v. C Square Garment Co., Ltd. - established in September 2010 in Cambodia. It washes jeans for the C Square Investment Co., Ltd.

The Company and its subsidiaries had 22,109 and 23,412 employees as of December 31, 2011 and 2010, respectively.

The diagram below shows the Company's parent-subsidary structure and holding percentages as of December 31, 2011.



## 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).

For readers' convenience, the accompanying 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 the direct and indirect subsidiaries of the Company. All significant intercompany balances and transactions are eliminated upon consolidation.

The consolidated entities for 2011 and 2010 include the Company, SmarTech Jeans Process Co., Ltd. (it was established in January 2011), 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. (it closed in December 2011), Chih Hsing Garment (Cambodia) Co., Ltd. (it was established in September 2011), 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 was established in December 2010), Nien Hsing International (Bermuda) Ltd., Nien Hsing International (Samoa) Ltd., Phoenix Development & Marketing Co., Ltd. Foster Capital Management Inc. (it was established in April 2010), C Square Investment Co., Ltd. (it was 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 was 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.

### **Foreign Currencies**

Nonderivative foreign-currency transactions are recorded in New Taiwan dollars at the rates of exchange in effect when the transactions occur. Exchange differences arising from the 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 shareholders' 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. These adjustments are accumulated and reported as a separate component of stockholders' equity.

### **Accounting Estimates**

Under the above guidelines, law 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; income tax; pension cost; bonuses to employees, directors and supervisors; etc. Actual results may differ from these estimates.

### **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, canceled 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 as 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 the 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 on an equity instrument classified as available-for-sale is recognized directly in equity.

### **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 to profit or loss.

### **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 and are not subject to any 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 that 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.

### **Impairment of Accounts Receivable**

An allowance for doubtful accounts is provided on the basis of a review of the collectibility of accounts receivable. The Company makes this review by an aging analysis of the outstanding receivables and assessing the value of the collaterals provided by customers.

As discussed in Note 3 to the financial statements, on January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." One of the main revisions is that the impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected. Objective evidence of impairment could include:

- Significant financial difficulty of the debtor;
- Accounts receivable becoming overdue; or
- It becoming probable that the debtor will enter into bankruptcy or undergo financial reorganization.

Accounts receivable that are assessed as not impaired individually are further assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of accounts receivable could include the Company's past experience of collecting payments and an increase in the number of delayed payments, as well as observable changes in national or local economic conditions that correlate with defaults on receivables.

The impairment loss recognized is the difference between the asset carrying amount and the present value of estimated future cash flows, after taking into account the related collaterals and guarantees, discounted at the receivable's original effective interest rate.



The carrying amount of the accounts receivable is reduced through the use of an allowance account. When accounts receivable are considered uncollectible, they are written off against the allowance account. Recoveries of amounts previously written off are credited to the allowance account. Changes in the carrying amount of the allowance account are recognized as bad debt in profit or loss.

### **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.

### **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. This goodwill is not amortized but instead is tested for impairment annually or whenever there are indications that the investments are impaired. The Group's share of the fair value of the net identifiable assets acquired in excess of 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 over which it 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 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 and assets leased to others are derecognized from the balance sheet upon their disposal. Any gain or loss on disposal of an 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 that 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 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, Chu Hsing Garment Co., Ltd., and SmarTech Jeans Process 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.

## **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 carryforwards 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 related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of 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 the retention of earnings.

## **Revenue Recognition**

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.

## **Reclassifications**

Certain accounts in the financial statements as of and for the year ended December 31, 2010 have been reclassified to conform to the presentation of the financial statements as of and for the year ended December 31, 2011.

### **3. EFFECTS OF CHANGES IN ACCOUNTING PRINCIPLES**

#### **Financial Instruments**

On January 1, 2011, the Group adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34 - "Financial Instruments: Recognition and Measurement." The main revisions include (1) finance lease receivables are now covered by SFAS No. 34; (2) the scope of the applicability of SFAS No. 34 to insurance contracts is amended; (3) loans and receivables originated by the Group are now covered by SFAS No. 34; (4) additional guidelines on impairment testing of financial assets carried at amortized cost when a debtor has financial difficulties and the terms of obligations have been modified; and (5) accounting treatment by a debtor for modifications in the terms of obligations. This accounting change had no significant effect in net consolidated income for 2011.

## Operating Segments

On January 1, 2011, the Group adopted the newly issued SFAS No. 41 - "Operating Segments." The statement requires that segment information be disclosed on the basis of the information on the components of the Group that management uses to make operating decisions. SFAS No. 41 requires the identification of operating segments on the basis of internal reports that are regularly reviewed by the Group's chief operating decision maker in order to allocate resources to the segments and assess their performance. This statement supersedes SFAS No. 20 - "Segment Reporting." For this accounting change, the Group restated the segment information as of and for the year ended December 31, 2010 to conform to the disclosures as of and for the year ended December 31, 2011.

## 4. CASH AND CASH EQUIVALENTS

	2011	2010
Cash on hand	\$ 14,916	\$ 17,026
Bank deposits		
Checking accounts and demand deposits	22,742	50,283
Foreign-currency checking accounts and demand deposits	387,142	1,238,582
Time deposits - 2011: 4.100%-6.000% interest rate; 2010: 4.700%-4.900% interest rate	30,666	33,269
Cash equivalents		
Short-term notes and bills with repurchase agreements, 2011: 0.725%-0.800% yield rate; 2010: 0.35% yield rate	<u>354,261</u>	<u>135,558</u>
	<u>\$ 809,727</u>	<u>\$ 1,474,718</u>

## 5. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - CURRENT

The Group did not use derivative contracts in 2011. The Group used derivative contracts, specifically forward exchange contracts in 2010 to manage exposures due to exchange rate and interest 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. Net loss on financial instruments held for trading in 2010 was \$13,118 thousand.

## 6. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	<u>2011</u>		<u>2010</u>	
	Current	Noncurrent	Current	Noncurrent
Domestic listed and OTC stocks	\$ 648,032	\$ -	\$ 537,631	\$ 705,613
Overseas listed and OTC stocks	<u>2,125</u>	<u>-</u>	<u>2,629</u>	<u>-</u>
	<u>\$ 650,157</u>	<u>\$ -</u>	<u>\$ 540,260</u>	<u>\$ 705,613</u>

The Company reclassified available-for-sale financial assets - noncurrent to available-for-sale financial asset - current as of December 31, 2011.

## 7. INVENTORIES, NET

	2011	2010
Raw materials	\$ 2,089,295	\$ 1,545,900
Work in process	1,153,732	845,680
Finished goods	374,685	535,131
Raw materials in transit	195,425	64,239
Supplies	<u>11,220</u>	<u>11,947</u>
	<u>\$ 3,824,357</u>	<u>\$ 3,002,897</u>

As of December 31, 2011 and 2010, the allowances for inventory devaluation were \$306,902 thousand and \$93,869 thousand, respectively.

The cost of inventories recognized as cost of goods sold in 2011 was \$11,801,094 thousand, which included the inventory write-down of \$213,033 thousand; gain on physical inventories of \$5,464 thousand; and scrap sales of \$146,192 thousand. The cost of inventories recognized as cost of goods sold in 2010 was \$11,362,682 thousand, which included the reversal of inventory write-down of \$58,472 thousand; gain on physical inventories of \$12,068 thousand; and scrap sales of \$115,038 thousand.

## 8. FINANCIAL ASSETS CARRIED AT COST - NONCURRENT

	2011	2010
Domestic emerging market common stocks	\$ 162,092	\$ 161,524
Domestic unquoted common stocks	154,684	152,292
Private-placement domestic stocks	35,997	35,997
Overseas unquoted common stocks	131,402	145,190
Other funds	<u>553,094</u>	<u>532,636</u>
	1,037,269	1,027,639
Prepayments for investments - domestic unquoted common stocks	<u>-</u>	<u>18,500</u>
	<u>\$ 1,037,269</u>	<u>\$ 1,046,139</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 1,000 shares and thus made capital returns to the Company of \$975 thousand in 2011 and \$1,083 thousand in 2010.

Der Yang Biotechnology Venture Capital Co., Ltd. decreased its capital at a ratio of 250 shares for every 1,000 shares and thus made capital returns to the Company of \$1,048 thousand (recognized as other financial asset - current) in 2011 and \$276 thousand in 2010.

Chiabon Venture Capital Co., Ltd. was dissolved and made capital returns to the Company of \$2,880 thousand in 2011 and \$15,120 thousand 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).

The recoverable amount of the investment in GEM Service Inc. was estimated to be less than its carrying amount. Thus, the Group recognized an impairment loss of \$21,027 thousand in 2011.

Exploit Technology Co., Ltd. decreased its capital to offset a deficit in 2010. Thus, the Group recognized a realized impairment loss of \$10,328 thousand. In addition, 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.

## 9. BOND INVESTMENTS WITH NO ACTIVE MARKET - NONCURRENT

	<u>December 31</u>	
	<u>2011</u>	<u>2010</u>
RABOBANK NEDERLAND	\$ 449,859	\$ 288,901
TWIN DRAGON MARKETING, INC.	<u>90,780</u>	<u>116,720</u>
	<u>\$ 540,639</u>	<u>\$ 405,621</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. 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, respectively, in 2010 and 2011.

In November 2009, Nien Hsing International (B.V.I.) Ltd. (a Company subsidiary) bought subordinated capital securities at par value of US\$3,000 thousand and US\$4,000 thousand in 2010 (the total investment at par value of US\$12,000 thousand). These securities, which amounted to US\$1,500,000 thousand, were issued by RABOBANK NEDERLAND (the "Issuer") in June 2009, have no maturity date and bear annual interest at a coupon rate of 11%, payable semiannually until June 2019. From June 30, 2019, the subordinated capital securities will bear interest at a coupon rate of three-month U.S. dollars 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, at an amount equal to the par value.

## 10. INVESTMENTS ACCOUNTED FOR BY THE EQUITY METHOD

	<u>2011</u>		<u>2010</u>	
	<u>Carrying Value</u>	<u>% of Ownership</u>	<u>Carrying Value</u>	<u>% of Ownership</u>
C&D Capital II Corp.	\$ 136,070	28.74	\$ 131,273	28.74
C&D Capital Corp.	111,588	22.42	236,356	22.42
Grand Paper International (B.V.I.) Ltd.	61,177	37.00	70,656	37.00
China International Investment Co., Ltd.	50,431	22.42	125,321	22.42
Wu Hsing International Co., Ltd.	-	30.00	-	30.00
Top Fashion Industrial Co., Ltd.	<u>-</u>	30.00	<u>-</u>	30.00
	<u>\$ 359,266</u>		<u>\$ 563,606</u>	

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

	<b>2011</b>	<b>2010</b>
C&D Capital II Corp.	\$ (60)	\$ (40)
C&D Capital Corp.	24,955	(9,065)
Grand Paper International (B.V.I.) Ltd.	14,452	15,488
China International Investment Co., Ltd.	2,696	34,470
Wu Hsing International Co., Ltd.	-	-
Top Fashion Industrial Co., Ltd.	<u>-</u>	<u>-</u>
	<u>\$ 42,043</u>	<u>\$ 40,853</u>

In 2010, 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 October 2011 and May 2010, C&D Capital Corp. decreased its capital at a ratio of 313 shares and 50 shares, respectively, for every one thousand shares and thus made capital returns of US\$1,667 thousand and US\$280 thousand, respectively, to Phoenix Development & Marketing Co., Ltd.

In May 2011 and May 2010, China International Investment Co., Ltd. decreased its capital at a ratio of 446 shares and 650 shares, respectively, for every one thousand shares and thus made capital returns of \$32,296 thousand and \$56,470 thousand, respectively, to the Company.

## 11. PROPERTY, PLANT AND EQUIPMENT

	<b>2011</b>	<b>2010</b>
Accumulated depreciation		
Land improvements	\$ 1,516	\$ 1,516
Buildings	1,187,114	1,105,127
Machinery and equipment	4,169,294	3,627,283
Transportation equipment	49,678	38,598
Office equipment	27,439	28,646
Miscellaneous equipment	<u>1,204,889</u>	<u>1,122,007</u>
	<u>\$ 6,639,930</u>	<u>\$ 5,923,177</u>

Depreciation expenses were \$690,660 thousand in 2011 and \$745,713 thousand in 2010.

The net carrying values of property, plant and equipment pledged or mortgaged as collaterals for bank loans as of December 31, 2011 and 2010 were \$283,821 thousand and \$292,404 thousand, respectively. The Company had reclassified the land and buildings in Toufen to idle assets as of December 31, 2011.

## 12. ASSETS LEASED TO OTHERS, NET

	<b>2011</b>	<b>2010</b>
Cost		
Land	\$ 50,101	\$ 55,712
Buildings	190,235	205,347
Machinery and equipment	16,671	-
Office equipment	476	-
Miscellaneous equipment	<u>4,094</u>	<u>-</u>
	<u>261,577</u>	<u>261,059</u>
Less: Accumulated depreciation		
Buildings	26,557	10,991
Machinery and equipment	3,771	-
Office equipment	251	-
Miscellaneous equipment	<u>1,292</u>	<u>-</u>
	<u>31,871</u>	<u>10,991</u>
Assets leased to others, net	<u>\$ 229,706</u>	<u>\$ 250,068</u>

Depreciation expenses (recognized under nonoperating expenses and losses - miscellaneous expenses) were \$18,474 thousand in 2011 and \$1,063 thousand in 2010.

## 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 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 used for industrial purpose.

## 14. SHORT-TERM LOANS

	<b>2011</b>	<b>2010</b>
Credit loan from banks, interest rate at 0.9201%-1.3800% in 2011 and 0.7094%-0.7100% in 2010	\$ 577,730	\$ 387,540
Usance letters of credit, interest rate at 1.0164%-2.0646% in 2011 and 0.7495%-1.8023% in 2010	<u>124,361</u>	<u>193,745</u>
	<u>\$ 702,091</u>	<u>\$ 581,285</u>



## 15. LONG-TERM BANK LOANS

	Current	Long-term	Total
<u>December 31, 2011</u>			
Loan issuance facilities	\$ -	\$ 630,000	\$ 630,000
Loan: Repayment period - February 2009 to February 2012; annual interest rate - 1.65%; repayment amount - one third of principal in the third year and every six months thereafter.	51,987	-	51,987
Loan: Repayment period - May 2009 to May 2012; annual interest rate - 1.69%; repayment amount - one fifth of principal in May 2010 and every six months thereafter.	30,000	-	30,000
Loan: Repayment period - May 2009 to May 2012; annual interest rate - 1.69%; repayment amount - one fifth of principal in May 2010 and every six months thereafter.	<u>26,000</u>	<u>-</u>	<u>26,000</u>
	<u>\$ 107,987</u>	<u>\$ 630,000</u>	<u>\$ 737,987</u>
<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>

On September 13, 2010, a three-year syndicated revolving credit line agreement of \$900,000 thousand was signed by the Company with E.SUN Bank and three other financial institutions. The drawdown on the credit line is at \$300,000 thousand semiannually starting from March 2013 and maturity is in March 2014.

As of December 31, 2011, the Company had drawn down \$630,000 thousand on a credit line of \$900,000 thousand on the syndicated loan. Interest rate was 1.261% as of December 31, 2011.

Under the syndicated loan agreements, the Company should maintain net equity, current and interest coverage ratios 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, Chu Hsing Garment Co., Ltd. and SmarTech Jeans Process Co., Ltd. to their employees' individual pension accounts is at 6% of monthly salaries and wages. Related pension costs were \$19,209 thousand in 2011 and \$18,295 thousand in 2010.

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 and wages of the six months before retirement. The Company contributed 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 the committees' name. Related pension costs were \$27,346 thousand for 2011 and \$28,676 thousand for 2010.

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>2011</u>	<u>2010</u>
	<u>The Company</u>	<u>The Company</u>
Service cost	\$ 11,855	\$ 13,594
Interest cost	10,312	9,667
Projected return on plan assets	(2,121)	(1,983)
Amortization	<u>7,300</u>	<u>6,524</u>
Net periodic pension cost	<u>\$ 27,346</u>	<u>\$ 27,802</u>

b. Reconciliation of funded status of the plan and accrued pension cost as of December 31, 2011 and 2010:

	<u>2011</u>	<u>2010</u>
	<u>The Company</u>	<u>The Company</u>
Benefit obligation		
Vested benefit obligation	\$ 75,915	\$ 75,588
Non-vested benefit obligation	<u>260,391</u>	<u>284,420</u>
Accumulated benefit obligation	336,306	360,008
Additional benefits based on future salaries	<u>92,504</u>	<u>102,385</u>
Projected benefit obligation	428,810	462,393
Fair value of plan assets	<u>(90,833)</u>	<u>(105,497)</u>
Funded status	337,977	356,896
Unrecognized prior service cost	(9,617)	(10,749)
Unrecognized net transition obligation	(19,872)	(23,846)
Unrecognized pension loss	(54,753)	(83,546)
Additional liability	<u>-</u>	<u>15,756</u>
Accrued pension cost	<u>\$ 253,735</u>	<u>\$ 254,511</u>
Vested benefit	<u>\$ 84,928</u>	<u>\$ 86,405</u>

c. Actuarial assumptions as of December 31, 2011 and 2010

	<u>2011</u>	<u>2010</u>
	<u>The Company</u>	<u>The Company</u>
Discount rate used in determining present values	2.00%	2.25%
Future salary increase rate	2.00%	2.00%
Expected rate of return on plan assets	2.00%	2.00%
	<u>2011</u>	<u>2010</u>
	<u>The Company</u>	<u>The Company</u>
d. Contributions to the fund	<u>\$ 12,124</u>	<u>\$ 11,699</u>
e. Payments from the fund	<u>\$ 27,977</u>	<u>\$ 8,844</u>

## 17. STOCKHOLDERS' EQUITY

Under the Company Law, capital surplus may be used to offset a deficit. 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. Under the revised Company Law issued on January 4, 2012, the foregoing capital surplus may be distributed in cash. 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 2011, the bonus to employees was \$5,000 thousand and the remuneration to directors and supervisors was \$9,100 thousand. For 2010, the estimate of the bonus to employees was \$8,500 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 year of the proposal. 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. Under the revised Company Law issued on January 4, 2012, when the legal reserve has exceeded 25% of the Company's paid-in capital, the excess may be transferred to capital or distributed in cash.

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., Nien Hsing International Investment Co., Ltd., and SmarTech Jeans Process 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 from the 2010 and 2009 earnings were approved in the stockholders' meetings on June 15, 2011 and June 17, 2010, respectively. The appropriations, including dividends per share, were as follows:

	<b>Appropriation of Earnings</b>		<b>Dividend (Dollar)</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Legal reserve	\$ 144,268	\$ 122,147		
Cash dividend	687,500	590,643	\$1.25	\$1.00

The above appropriations approved at the stockholders' meetings were the same as those approved by the board of directors on March 24, 2011 and March 15, 2010, respectively.

The bonus to employees of \$8,500 thousand and the remuneration to directors and supervisors of \$9,100 thousand for 2010 were approved in the stockholders' meeting on June 15, 2011. 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 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 2011 and 2010.

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.

In their meeting on June 15, 2011, the stockholders also approved the reduction of cash capital by \$687,500 thousand. After the reduction of cash capital, the balance of capital stock was \$4,812,500 thousand. This capital reduction was approved by the relevant authorities. The board of directors approved August 14, 2011 as the date of the capital reduction.

The appropriations from the 2011 earnings were approved in the meeting of board of directors on March 20, 2012. The appropriations, including the dividends per share, were as follows:

	<b>Appropriation of Earnings</b>	<b>Dividends Per Share (NT\$)</b>
Legal reserve	\$ 75,596	
Cash dividends	481,250	\$1.00

In their meeting on March 20, 2012, the board of directors also approved the reduction of cash capital by \$481,250 thousand. After the reduction of cash capital, the balance of capital stock will be \$4,331,250 thousand.

The appropriation, the bonus to employees, the remuneration to directors and supervisors and the reduction of cash capital, which the board of directors discussed on March 20, 2012 needs to be approved by the stockholders' meeting expected to be held on June 15, 2012.

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. 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:

	2011	2010
Income tax expense at statutory income tax rate	\$ 203,547	\$ 368,346
Tax effect of adjusting items		
Permanent differences	(88,600)	(102,988)
Temporary differences	(3,890)	(155,950)
Loss carryforwards	159	1,679
Loss carryforwards used	<u>(113)</u>	<u>(13,519)</u>
	111,103	97,568
Additional income tax under the Alternative Minimum Tax Act	22,289	16,681
Additional 10% income tax on unappropriated earnings	61,091	50,884
Investment tax credits used	<u>-</u>	<u>(38,053)</u>
Current income tax expense	194,483	127,080
Deferred income tax expense		
Temporary differences	8,987	170,790
Loss carryforwards	479	14,937
Effect of tax law changes on deferred income tax	-	(6,046)
Adjustment of valuation allowance due to changes in tax laws	-	(3,375)
Valuation allowance	(10,727)	4,869
Adjustments for prior years' tax	<u>1,789</u>	<u>59,803</u>
Income tax expense (benefit)	<u>\$ 195,011</u>	<u>\$ 368,058</u>

In May 2010, the Legislative Yuan passed 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 2009 had been examined by the tax authorities. The Company filed administrative appeals for the reexamination of the overseas dividend revenues shown in the 2009 return, the difference between the Company's declared amount and the amount based on the tax authorities' examination was recognized in the third quarter of 2011. In addition, the income tax adjustments assessed by the tax authorities on the 2008 and 2007 returns were recognized in the book in 2010.

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

	<b>2011</b>	<b>2010</b>
Allowance for loss on inventories	\$ 50,806	\$ 15,958
Provision for pension cost	42,356	39,809
Unrealized other loss	21,241	1,357
Loss carryforwards	12,162	12,641
Allowance for doubtful accounts	5,956	13,234
Unallocated manufacturing over head	2,975	-
Unrealized foreign exchange loss	1,283	4,500
Others	633	2,817
Income on overseas investments	<u>(273,072)</u>	<u>(216,510)</u>
	(135,660)	(126,194)
Less: Valuation allowance	<u>(13,355)</u>	<u>(24,082)</u>
Deferred tax assets (liabilities), net	<u>\$ (149,015)</u>	<u>\$ (150,276)</u>
Deferred tax assets - current	\$ 82,261	\$ 32,371
Deferred tax liabilities - noncurrent	<u>(231,276)</u>	<u>(182,647)</u>
	<u>\$ (149,015)</u>	<u>\$ (150,276)</u>

As of December 31, 2011, the loss carryforwards of Nien Hsing International Investment Co., Ltd. and Smar Tech Jeans Process Co., Ltd., which can be deducted from future taxable payable, were as follows:

	<b>Deductible Amount</b>		
	<b>Nien Hsing International</b>	<b>SmarTech Jeans Process</b>	<b>Expiry Year</b>
2009	\$ 10,288	\$ -	2019
2010	1,715	-	2020
2011	<u>-</u>	<u>159</u>	2021
	<u>\$ 12,003</u>	<u>\$ 159</u>	

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

	<b>December 31</b>	
	<b>2011</b>	<b>2010</b>
Balances of the imputation credit account (ICA) of the Company	<u>\$ 468,681</u>	<u>\$ 372,242</u>

The creditable ratios for the distribution of the earnings of 2011 and 2010 were 16.08% (estimate) and 12.74% (actual), respectively.

For the distribution of earnings generated on or after January 1, 1998, the ratio for the imputation credits allocable 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 2011 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 2011 and 2010 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., Chih Hsing Garment (Cambodia) 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.

## 19. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

	<b>2011</b>			
	<b>Operating Cost</b>	<b>Operating Expense</b>	<b>Nonoperating Expense and Loss</b>	<b>Total</b>
Personnel expense				
Salary	\$ 1,859,172	\$ 271,884	\$ -	\$ 2,131,056
Labor and health insurance	30,146	20,073	-	50,219
Pension cost	25,784	20,771	-	46,555
Other	<u>92,236</u>	<u>14,155</u>	-	<u>106,391</u>
	<u>\$ 2,007,338</u>	<u>\$ 326,883</u>	<u>\$ -</u>	<u>\$ 2,334,221</u>
Depreciation	<u>\$ 675,322</u>	<u>\$ 15,338</u>	<u>\$ 18,474</u>	<u>\$ 709,134</u>
Amortization	<u>\$ 96,182</u>	<u>\$ 3,350</u>	<u>\$ 19</u>	<u>\$ 99,551</u>
	<b>2010</b>			
	<b>Operating Cost</b>	<b>Operating Expense</b>	<b>Nonoperating Expense and Loss</b>	<b>Total</b>
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	<u>86,779</u>	<u>14,858</u>	-	<u>101,637</u>
	<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>

## 20. EARNINGS PER SHARE

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

	Net Income (Numerator)		Shares (Denominator) (Thousands)	Earnings Per Share (Dollars)	
	Income Before Income Tax	Net Income		Income Before Income Tax	Net Income
<u>2011</u>					
Basic EPS					
Income for the year attributable to common stockholders	\$ 931,491	\$ 755,959	524,219	<u>\$ 1.78</u>	<u>\$ 1.44</u>
Effect of dilutive potential common stock Bonus to employees	<u>-</u>	<u>-</u>	<u>445</u>		
Diluted EPS					
Income for the year attributable to common stockholders plus effect of potential dilutive common stock	<u>\$ 931,491</u>	<u>\$ 795,959</u>	<u>524,664</u>	<u>\$ 1.78</u>	<u>\$ 1.44</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>

If the Company decides to 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. The dilutive effect of the potential shares should be included in the calculation of diluted EPS until the stockholders resolve the number of shares to be distributed to employees at their meeting in the following year.



## 21. FINANCIAL INSTRUMENTS

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

	2011		2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<u>Nonderivative financial instruments</u>				
<u>Financial assets</u>				
Cash and cash equivalents	\$ 809,727	\$ 809,727	\$ 1,474,718	\$ 1,474,718
Available-for-sale financial assets				
- current	650,157	650,157	540,260	540,260
Notes receivable	16,895	16,895	31,632	31,632
Accounts receivable, net	2,065,482	2,065,482	1,756,932	1,756,932
Other financial assets-current	30,539	30,539	22,994	22,994
Available-for-sale financial assets				
- noncurrent	-	-	705,613	705,613
Financial assets carried at cost - noncurrent	1,037,270	-	1,046,139	-
Bond investments with no active market - noncurrent	540,639	540,639	405,621	405,621
Refundable deposits	20,005	20,005	25,372	25,372
<u>Financial liabilities</u>				
Short-term loans	702,091	702,091	581,285	581,285
Notes payable	87,710	87,710	148,652	148,652
Accounts payable	379,267	379,267	492,709	492,709
Account payable to related parties	11,695	11,695	29,515	29,515
Accrued expenses	554,860	554,860	545,593	545,593
Other payable	55,435	55,435	54,670	54,670
Long-term bank loans (including current portion)	737,987	737,987	323,960	323,960
Guarantee deposits received	2,036	2,036	7,670	7,670

b. Methods and assumptions used to estimate the fair values of financial instruments are 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, other financial assets - current, short-term loans, payables, accrued expenses, accounts payable to related parties and other payables.
- 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) The 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	
	2011	2010	2011	2010
Assets				
Available-for-sale financial assets - current	\$ 650,157	\$ 540,260	\$ -	\$ -
Available-for-sale financial assets - noncurrent	-	705,613	-	-

- d. The reversal of the valuation loss on financial instruments with fair values determined using valuation techniques was \$13,118 thousand for 2010.
- e. Financial liabilities exposed to fair value interest rate risk amounted to \$702,091 thousand and \$581,285 thousand as of December 31, 2011 and 2010, respectively. Financial liabilities exposed to cash flow interest rate risk amounted to \$737,987 thousand and \$323,960 thousand as of December 31, 2011 and 2010, 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; thus, the market risk of derivatives 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 \$650,157 thousand and \$1,245,873 thousand as of December 31, 2011 and 2010, respectively. Contracts with positive fair value at the 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 follows (excluding fair value of the collaterals):

Financial Instruments	2011		2010	
	Carrying Amount	Credit Risk Amount	Carrying Amount	Credit Risk Amount
Available-for-sale financial assets				
Listed and OTC stocks	\$ 648,032	\$ 648,032	\$ 1,243,244	\$ 1,243,244
Overseas Listed and OTC stocks	<u>2,125</u>	<u>2,125</u>	<u>2,629</u>	<u>2,629</u>
	<u>\$ 650,157</u>	<u>\$ 650,157</u>	<u>\$ 1,245,873</u>	<u>\$ 1,245,873</u>

The contracts on the above stocks had positive fair values at the balance sheet date. Thus, the contracts were evaluated, and the evaluation showed there was no credit risk on the stocks.

### 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 and with maturity in November 2010 had already been settled.

## 22. RELATED-PARTY TRANSACTIONS

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

Related Party	Relationship with the Group
Grand Paper International (B.V.I.) Ltd.	Equity-method investee of Phoenix Development & Marketing Co., Ltd.
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:

	<b>2011</b>		<b>2010</b>	
	Amount	%	Amount	%
<u>For the year</u>				
Processing income				
Grand Paper International (B.V.I.) Ltd.	<u>\$ 20,316</u>	<u>84</u>	<u>\$ 19,809</u>	<u>57</u>
Rental revenue				
Hong Yuan Investment Ltd.	\$ 26	-	\$ 26	-
Guo Jhong Investment Ltd.	26	-	26	-
Li Fong Investment Ltd.	<u>26</u>	<u>-</u>	<u>26</u>	<u>-</u>
	<u>\$ 78</u>	<u>-</u>	<u>\$ 78</u>	<u>-</u>
<u>At year-end</u>				
Accounts payable				
Grand Paper International (B.V.I.) Ltd.	<u>\$ 11,695</u>	<u>100</u>	<u>\$ 29,515</u>	<u>100</u>

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

- c. Compensation of directors, supervisors and management personnel:

	<b>2011</b>	<b>2010</b>
Salaries	\$ 25,129	\$ 23,396
Incentives	22,634	25,972
Operating compensation	<u>4,140</u>	<u>4,131</u>
	<u>\$ 51,903</u>	<u>\$ 53,499</u>

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

### 23. ASSETS PLEDGED OR MORTGAGED

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

	<b>2011</b>	<b>2010</b>
Property, plant and equipment, net	<u>\$ 283,821</u>	<u>\$ 292,404</u>

### 24. COMMITMENTS

Unused letters of credit amounted to \$1,950,103 thousand as of December 31, 2011.

## 25. SUBSEQUENT EVENTS

Between January 17, 2012 and March 16, 2012, the Company disposed of a part of its equity interest, consisting of 2,360 thousand common shares (recognized as available-for-sale financial assets - current), in Simplo Technology Co., Ltd. for \$515,947 thousand and had a gain of \$501,881 thousand.

## 26. OTHERS

- a. 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.
- b. Some subsidiaries located in Lesotho sold their duty credit certificates issued by the Southern African Customs Union for \$193,743 thousand in 2011 and \$1,056,742 thousand in 2010.
- c. Significant financial assets and liabilities in foreign currencies were as follows:

Unit: In thousands of Foreign Currencies/New Taiwan Dollars

	December 31					
	2011			2010		
	Foreign Currencies	Exchange Rate	New Taiwan Dollars	Foreign Currencies	Exchange Rate	New Taiwan Dollars
<u>Finance assets</u>						
Monetary items						
USD	\$ 103,562	30.2600	\$ 3,133,787	\$ 111,471	29.1800	\$ 3,252,713
PESO	240,719	2.1647	521,089	14,223	2.3567	33,520
ZAR	64,560	3.7040	239,129	35,588	4.4010	156,622
VND	4,992,225	0.0015	7,254	9,462,340	0.0015	14,584
Available-for-sale financial assets						
USD	70	30.2600	2,125	90	29.1800	2,629
Financial assets carried at cost						
USD	22,620	30.2600	684,497	23,229	29.1800	677,826
Investments accounted for by the equity method						
USD	10,206	30.2600	308,835	15,020	29.1800	438,285
<u>Financial liabilities</u>						
Monetary items						
USD	28,450	30.2600	860,897	25,532	29.1800	745,018
VND	89,472,793	0.0015	130,004	67,812,474	0.0015	104,520
ZAR	25,542	3.7040	94,606	26,165	4.4010	115,154
PESO	33,455	2.1647	72,421	26,574	2.3567	62,628
NIO	10,318	1.3170	13,589	3,908	1.3335	5,212
KHR	117,425	0.0075	882	7,876,414	0.0070	55,129

## 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 21

Except for Phoenix Development & Marketing Co., Ltd., the subsidiaries did not use forward exchange contracts in 2011 and 2010.

Phoenix Development & Marketing Co., Ltd. used 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. OPERATING SEGMENT FINANCIAL INFORMATION

### a. Basic information

#### 1) Classification of operating segment

The Group's reportable segments under Statement of Financial Accounting Standards No. 41 - "Operating Segments" are as follows:

- a) Textile
- b) Garment

#### 2) Principles for measuring operating segments' profit or loss and assets and liabilities

Significant accounting policies used for each operating segments are consistent with the policies stated in Note 2 to the financial statements.

### b. Segment revenues and results

The analysis of the Group's operating revenue and results by reportable segment is as follows:

	<u>Segment Revenue</u>		<u>Segment Profit</u>	
	<u>Year Ended December 31</u>		<u>Year Ended December 31</u>	
	2011	2010	2011	2010
Textile segment			\$ 155,270	\$ 451,866
From outside customers	\$ 5,002,938	\$ 5,999,247		
From intersegment sales	1,432,855	973,239		
Garment segment			564,115	370,724
From outside customers	8,100,506	6,852,052		
From intersegment sales	-	-		
Other segment			100	-
From outside customers	3,942	-		
From intersegment sales	-	-		
Elimination	<u>(1,432,855)</u>	<u>(973,239)</u>	<u>-</u>	<u>-</u>
Total revenues	<u>\$ 13,107,386</u>	<u>\$ 12,851,299</u>	719,485	822,590
Unallocated amount				
Administrative cost			(122,922)	(125,577)
Other shared expense			<u>(36,265)</u>	<u>(44,578)</u>
Operating income			560,298	652,435
Interest revenue			36,760	35,683
Investment income recognized				
under the equity method			42,043	40,853
Dividend income			46,952	22,989
Gain on disposal of investments			256,852	230,955
Rent revenue			21,077	15,223
Gain on reversal of bad debts			7,219	-
Refund of customs duties			193,743	1,056,742
Interest expense			(18,114)	(21,746)

(Continued)

	<u>Segment Revenue</u>		<u>Segment Profit</u>	
	<u>Year Ended December 31</u>		<u>Year Ended December 31</u>	
	2011	2010	2011	2010
Loss (gain) on disposal of property, plant and equipment			\$ (29,419)	\$ 803
Realized loss on long-term investments			-	(10,328)
Exchange loss			(125,550)	(148,677)
Impairment loss			(21,027)	(30,352)
Valuation loss on financial assets			-	(13,118)
Others			<u>(25,727)</u>	<u>(21,459)</u>
Income before income tax			<u>\$ 945,107</u>	<u>\$ 1,810,003</u> (Concluded)

The measure of the operating segments' profit or loss is controlled by management.

c. Segment assets and liabilities

	<u>December 31</u>	
	2011	2010
<u>Segment assets</u>		
Textile segment	\$ 6,846,289	\$ 5,904,227
Garment segment	5,948,703	5,407,778
Other shared assets	<u>1,896,971</u>	<u>3,808,652</u>
Consolidated assets	<u>\$ 14,691,963</u>	<u>\$ 15,120,657</u>

The measure of the Group's operating assets are the assets controlled by management. The measure of operating liabilities is the Group's capital budget and capital demand that are not allocated by to individual operating segments. Thus, the operating liabilities are not subject to segment performance evaluation.

d. Other segment information

	<u>December 31</u>	
	2011	2010
<u>Depreciation and amortisation</u>		
Textile segment	\$ 522,361	\$ 572,934
Garment segment	274,128	259,350
Other segment	<u>12,196</u>	<u>14,054</u>
	<u>\$ 808,685</u>	<u>\$ 846,338</u>

The increase in noncurrent assets is not reviewed regularly by the chief operating decision maker for the purpose of resource allocation and assessment of segment performance. Thus, noncurrent assets are not disclosed in the operating segments.



e. Revenue from major products and services

The following is an analysis of the Group's revenue from continuing operations from its major products and services:

	<b>Year Ended December 31</b>	
	<b>2011</b>	<b>2010</b>
Fabrics	\$ 5,002,938	\$ 5,999,247
Garments	8,100,506	6,852,052
Others	<u>3,942</u>	<u>-</u>
	<u>\$ 13,107,386</u>	<u>\$ 12,851,299</u>

f. Geographical information

The Group operates in three principal geographical areas: Taiwan, America, Africa and other Asian areas. The Group's revenue from continuing operations from external customers and information on its non-current assets by geographical location are detailed below.

	<b>Revenue from External Customers</b>		<b>Noncurrent Assets</b>	
	<b>December 31</b>		<b>December 31</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
Taiwan	\$ 10,498,323	\$ 10,926,880	\$ 1,217,520	\$ 1,250,345
America	1,956,426	1,904,610	863,457	906,016
Africa	652,637	19,809	1,523,157	1,737,635
Other areas in Asia	<u>-</u>	<u>-</u>	<u>1,416,473</u>	<u>1,373,824</u>
	<u>\$ 13,107,386</u>	<u>\$ 12,851,299</u>	<u>\$ 5,020,607</u>	<u>\$ 5,267,820</u>

g. Information on major customers

Revenues from any individual customer that was at least 10% of the Group's revenue for 2011 and 2010 were as follows:

<b>Customer</b>	<b>2011</b>		<b>2010</b>	
	<b>Sales Amount</b>	<b>Percentage to Revenue (%)</b>	<b>Sales Amount</b>	<b>Percentage to Revenue (%)</b>
A	\$ 3,578,413	27	\$ 2,799,976	22
B	1,672,309	13	1,641,331	13
C	<u>1,495,733</u>	<u>11</u>	<u>1,200,599</u>	<u>9</u>
	<u>\$ 6,746,455</u>	<u>51</u>	<u>\$ 5,641,906</u>	<u>44</u>

Customers A and customer C are the major customers of the garment segment. Customer B is the major customer of textile segment.

## 29. PLAN TO ADOPT INTERNATIONAL FINANCIAL REPORTING STANDARDS

Under Rule No. 0990004943 issued by the Financial Supervisory Commission (FSC) on February 2, 2010, the Group discloses its plan on the adoption of International Financial Reporting Standards (IFRSs) as follows:

- a. On May 14, 2009, the FSC announced the “Framework for the Adoption of International Financial Reporting Standards by Companies in the ROC.” In this framework, starting 2013, companies with shares listed on the Taiwan Stock Exchange (TSE) or traded on the Taiwan GreTai Securities Market or Emerging Stock Market should prepare their financial statements in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, and the Interpretations as well as related guidance translated by the Accounting Research and Development Foundation (ARDF) and issued by the FSC. To comply with this framework, the Group set up a project team and made a plan to adopt the IFRSs. Leading the implementation of this plan is Mr. Tsai, the senior manager of the finance division. The main contents of the plan, responsible department, schedule and status of execution as of December 31, 2011 were as follows:

<u>Contents of Plan</u>	<u>Responsible Department</u>	<u>Status of Execution</u>
1) Establish the IFRSs task force	Finance division	Completed
2) Establish an IFRSs implementation plan	Finance division	Completed
3) Identify the differences between ROC GAAP and IFRSs	Finance division	Completed
4) Identify the consolidated entities under IFRSs	Finance division	Completed
5) Evaluate the impact of optional exemptions under IFRS 1 - “First-time Adoption of International Financial Reporting Standards”	Finance division	Completed
6) Evaluate the possible impact of IFRS adoption on the IT systems	Finance and information technology divisions	Completed
7) Determine which internal controls may require modification	Finance and internal audit divisions	Completed
8) Select accounting policies under IFRS that apply to the Group	Finance division	Completed
9) Determine which optional exemptions under IFRS 1 apply to the Group	Finance division	Completed
10) Prepare the opening balance sheet in conformity with IFRSs	Finance division	In progress
11) Prepare comparative financial information under IFRSs for 2012	Finance division	In progress
12) Complete the modification of relevant internal controls	Finance division	In progress

- b. As of December 31, 2011, the Group had assessed the material differences, shown below, between the Republic of China's generally accepted accounting policies (ROC GAAP) and the accounting policies to be adopted under IFRSs:

<b>Accounting Issue</b>	<b>Description of Differences</b>
Classification of deferred income tax assets or liabilities and valuation allowance for deferred income tax assets	<p>1) Under ROC GAAP, a deferred tax asset or liability is classified as current or noncurrent in accordance with the classification of the related asset or liability for financial reporting. However, if a deferred income tax asset or liability does not relate to an asset or liability in the financial statements, it is classified as current or noncurrent on the basis of the expected length of time before it is realized or settled. Under IFRSs, a deferred tax asset or liability is classified as noncurrent.</p> <p>2) Under ROC GAAP, 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. Under IFRSs, deferred tax assets are recognized to the extent that it is highly probable that taxable profits will be available against which the deductible temporary differences can be used; thus, contrary to the ROC GAAP, a valuation allowance account is not needed.</p>
Employee benefit	<p>1) Under ROC GAAP, the minimum pension liability is the accumulated benefit obligation in excess of the fair value of pension assets on date of balance sheet. The minimum pension liability should be recognized as the minimum of pension liability on the balance sheet. Under IFRSs, the minimum pension liability is not needed.</p> <p>2) Pension gain (loss) is the gain or loss on pension assets and projected benefit obligation from the change of the assumption. Under ROC GAAP, the pension gain (loss) should be amortized. Under IFRSs, the Group can adopt ruled-methods to recognize the whole gain (loss) as other comprehensive income. Unrecognized pension gain (loss) in the statement of financial position is reclassified to retained earnings on IFRS adoption.</p> <p>3) Under ROC GAAP, unrecognized net transition assets or obligations should be amortized to net pension cost using straight line method. However, if the expected remaining average service period is less than 15 years, it should be amortized within 15 years. Under IFRSs, the Group should recognize the excess as pension liabilities and expenses immediately or amortize it by the straight line method within five years.</p>

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**Accounting Issue**

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**Description of Differences**

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- 4) Under ROC GAAP, in estimating the discount rate used for the measurement of projected, accumulated and vested benefit obligations, service costs and interest costs, the following factors should be considered: (a) long-term average of the rates adopted by the institution designated to have custody of and manage the pension fund; (b) rates of return on relatively high-safety fixed-income investments currently available and expected to be available until maturity of the pension benefits; and (c) rates implicit in annuity contracts purchased from the insurance company and used to settle pension benefits. IAS 19 - "Employee Benefits" requires an entity to determine the rate used to discount employee benefits with reference to market yields on high-quality corporate bonds. However, when there is no deep market for corporate bonds, an entity should use market yields on government bonds instead. The currency and the estimated range of interest rates for the corporate bonds or the government bonds should be consistent with those of the pension plans.
- 5) Under ROC GAAP, there are no specific requirements for recognizing compensated absences, such as paid vacation and sick leaves. Companies usually recognize the related costs when the employees actually go on leave. Under IFRSs, The expected cost of short-term cumulative compensated absences (paid vacation leaves) should be recognized as the employees render services that increase their entitlement to these compensated absences.

Foreign operating functional currency

Under ROC GAAP, functional currency is the main currency used by foreign operations for operating decisions, revenues and expenditures. Under IFRSs, functional currency is the currency of the main economic environment in which the Group operates. When each entity is preparing financial statements, it is necessary to decide the functional currency to be used to measure financial position and the results of operations. The factors for determining functional currency are classified into primary and secondary. Unlike ROC GAAP, IFRS requires the assigning of priority to some factors over other factors. Thus, the Group should evaluate the foreign operating functional currency on the basis of the above principles and make adjustments for the differences between the ROC GAAP and IFRSs.

(Continued)

<b>Accounting Issue</b>	<b>Description of Differences</b>
Translation adjustment	The cost of conforming GAAP-based translation adjustments to IFRS is high; thus, the Group has opted to transfer the balance of translation adjustment to retained earnings on the IFRS adoption date.
Time deposit exceeding three months	Under ROC GAAP, a time deposit that can be canceled at will without the reduction of the principal is recognized as cash. Under IFRSs, the time deposit should be reclassified to other financial assets.
Classification of leased assets	Under IFRSs, assets leased to others are classified as property, plant and equipment in accordance with their nature. Assets leased to others are not classified as investment properties since they cannot be sold separately and comprise only an insignificant portion of the plants and buildings.

- c. The Group has prepared the above assessments in compliance with (a) the 2010 version of the IFRSs translated by the ARDF and issued by the FSC and (b) the Guidelines Governing the Preparation of Financial Reports by Securities Issuers amended and issued by the FSC on December 22, 2011. These assessments may be changed as the FSC may issue new rules governing the adoption of IFRSs, and as other laws and regulations may be amended to comply with the adoption of IFRSs. Actual results may differ from these assessments.

## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

ENDORSEMENT/GUARANTEE PROVIDED  
 YEAR ENDED DECEMBER 31, 2011  
 (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")	Phoenix Development & Marketing Co., Ltd.	(Note B)	\$ 3,361,537	\$ 2,132,900	\$ 2,118,200	\$ -	19	\$ 5,602,562
		Nien Hsing International Investment Co., Ltd.	(Note A)	3,361,537	100,000	100,000	-	1	5,602,562
		Chao Hsing Textile Co., Ltd.	(Note A)	3,361,537	250,000	-	-	-	5,602,562
		Chu Hsing Garment Co., Ltd.	(Note A)	3,361,537	466,720	-	-	-	5,602,562

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, 2011  
(In Thousands of New Taiwan Dollars)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2011				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	208,350	\$ 4,966,124	100.00	\$ 4,966,338	A
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	552,431	100.00	552,431	
	Nien Hsing Garment (Vietnam) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	456,232	100.00	456,232	
	Alpha Textile S.A. Nicaragua	Subsidiary	Investments accounted for by the equity method	1,000	390,155	100.00	390,155	
	Chu Hsing Garment (Cambodia) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	14,000	312,911	100.00	312,911	
	Nien Hsing International Investment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	2,000,000	267,628	100.00	267,628	
	Chih Hsing Garment (Cambodia) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	1,825	54,996	100.00	54,996	
	China International Investment Co., Ltd.	Equity-method investee	Investments accounted for by the equity method	4,011,687	50,431	22.42	50,431	
	Chu Hsing Garment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	500,000	21,501	100.00	21,501	
	SmarTech Jeans Process Co., Ltd.	Subsidiary	Investments accounted for by the equity method	275,000	2,237	55.00	2,237	
	Chao Hsing Textile Co., Ltd.	Subsidiary	Investments accounted for by the equity method	-	22	100.00	22	
	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	3,661,198	648,032	1.31	648,032	
	Mycenax Biotech Inc.	-	Financial assets carried at cost - noncurrent	7,000,000	107,100	12.17	29,102	
	Roo Hsing Co., Ltd.	-	Financial assets carried at cost - noncurrent	4,032,258	35,997	6.88	37,059	
	UFO Investment Corporation	-	Financial assets carried at cost - noncurrent	3,384,000	33,840	5.00	11,026	
	Leadray Energy Co., Ltd.	-	Financial assets carried at cost - noncurrent	1,153,000	14,989	4.84	12,764	
	Inno Stream Consulting Investment Inc.	-	Financial assets carried at cost - noncurrent	877,254	8,773	8.33	8,352	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Der Yang Biotechnology Venture Capital Co., Ltd.	-	Financial assets carried at cost - noncurrent	419,520	\$ 4,196	2.22	\$ 3,190	
	Ultra Chip, Inc.	-	Financial assets carried at cost - noncurrent	486,011	877	0.55	4,582	
	Breeze Digital Technology Corp.	-	Financial assets carried at cost - noncurrent	147,000	-	2.94	128	
Nien Hsing International (B.V.I.) Ltd.	Nien Hsing International (Bermuda) Ltd.	Subsidiary	Investments accounted for by the equity method	29,400	707,163	100.00	707,163	
	Nien Hsing International (Samoa) Ltd.	Subsidiary	Investments accounted for by the equity method	40,300,000	1,711,795	100.00	1,711,795	
	Phoenix Development & Marketing Co., Ltd.	Subsidiary	Investments accounted for by the equity method	45,000,000	1,824,173	100.00	1,824,173	
	Foster Capital Management Inc.	Subsidiary	Investments accounted for by the equity method	1,743,750	58,548	77.50	58,548	
	C Square Investment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	6,017,964	168,220	67.00	168,220	
	RABOBANK NEDERLAND	-	Bond investments with no active market - noncurrent	12,000	449,859	-	449,859	
Nien Hsing International (Bermuda) Ltd.	Nien Hsing International Victoria Ltd.	Subsidiary	Investments accounted for by the equity method	47,410	574,575	99.99	574,575	
	Nien Hsing Confeccion Ltd.	Subsidiary	Investments accounted for by the equity method	26	(12,889)	99.99	(12,889)	
	Silergy Corp.	-	Bond investments with no active market - noncurrent	240,031	3,632	0.80	1,814	
Nien Hsing International (Samoa) Ltd.	C&Y Garments	Subsidiary	Investments accounted for by the equity method	99,800	113,164	99.80	127,971	
	Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	200,000	168,742	100.00	168,742	
	Global Garment (Proprietary) Co., Ltd.	Subsidiary	Investments accounted for by the equity method	100,000	202,953	100.00	202,953	
	Formosa Textile Co., Ltd.	Subsidiary	Investments accounted for by the equity method	100,000	437,625	100.00	437,625	
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	61,177	37.00	61,177	
	C&D Capital Corp.	Equity-method investee	Investments accounted for by the equity method	3,658,887	111,588	22.42	111,588	
	C&D Capital II Corp.	Equity-method investee	Investments accounted for by the equity method	4,500,000	136,070	28.74	136,070	
	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	2,125	0.11	2,125	

(Continued)



Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Twin Dragon Marketing, Inc.	-	Bond investments with no active market - noncurrent	3,000	\$ 90,780	-	\$ 90,780	
	Prodigy Strategic Investment Fund XXI Segregated Portfolio	-	Financial assets carried at cost - noncurrent	18,465	553,094	-	527,706	
	PTS International, Inc.	-	Financial assets carried at cost - noncurrent	2,500,000	60,520	2.87	-	
	Analogix Semiconductor, Inc.	-	Financial assets carried at cost - noncurrent	75,811	3,336	0.15	307	
	VeriSilicon Holdings (Cayman Islands) Co., Ltd.	-	Financial assets carried at cost - noncurrent	193,547	9,091	0.34	-	
	GEM Services, Inc.	-	Financial assets carried at cost - noncurrent	319,670	-	0.83	-	
	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	1,609	0.03	311	
	Thousand Luck Limited	-	Financial assets carried at cost - noncurrent	200,000	-	1.33	-	
	Tong Yang Holding Corporation	-	Financial assets carried at cost - noncurrent	558,321	33,856	0.74	30,456	
	Saybot LLC	-	Financial assets carried at cost - noncurrent	113,733	5,289	0.72	441	
	Digital Knowledge World Co., Ltd.	-	Financial assets carried at cost - noncurrent	357,140	2,269	0.26	2,218	
	Summit Micrielectronics. Inc.	-	Financial assets carried at cost - noncurrent	174,862	11,800	0.23	378	
C Square Investment Co., Ltd.	C Square Garment Co., Ltd.	Subsidiary	Investments accounted for by the equity method	7,010,231	207,729	100.00	207,729	
Nien Hsing International Investment Co., Ltd.	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	460,013	4,609	0.93	4,294	
	Leader Visual-Audio Productions Co.	-	Financial assets carried at cost - noncurrent	880,000	14,784	2.93	10,270	
	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	2,047	

(Continued)

Holding Company Name	Marketable Securities Type and Issuer	Relationship with Holding Company	Financial Statement Account	December 31, 2011				Note
				Shares	Carrying Value	Percentage of Ownership	Market Value or Net Asset Value	
	Apaq Technology Co., Ltd.	-	Financial assets carried at cost - noncurrent	315,771	\$ 3,920	0.54	\$ 3,686	
	Moai Electronics Corporation	-	Financial assets carried at cost - noncurrent	208,269	4,000	0.83	1,842	
	Koatech Technology Corp.	-	Financial assets carried at cost - noncurrent	809,280	8,221	1.96	4,624	
	Brighton-Best International Inc.	-	Financial assets carried at cost - noncurrent	2,225,825	22,565	0.56	21,460	
	Alpha Optical Co., Ltd.	-	Financial assets carried at cost - noncurrent	601,000	6,780	1.12	4,793	
	Amazing Microelectronic Corp.	-	Financial assets carried at cost - noncurrent	312,400	11,300	0.86	4,451	
	Helio Optoelectronics Corporation	-	Financial assets carried at cost - noncurrent	207,876	3,878	1.04	2,686	
	Wisdom-Orgchem Inc.	-	Financial assets carried at cost - noncurrent	609,840	10,613	1.02	12,289	
	Leadray Energy Co., Ltd.	-	Financial assets carried at cost - noncurrent	2,050,000	30,000	8.61	20,485	
	Mycenax Bigtech Inc.	-	Financial assets carried at cost - noncurrent	1,307,000	22,941	2.27	5,434	

Notes:

A: The difference between carrying value and net asset value is the adjustment of unrealized gain duo to transactions between subsidiaries.

B: 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, 2011  
 (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.	Alpha Textile S.A. Nicaragua	Investments accounted for by using equity method	-	-	1,000	\$ 207,178	-	\$ 171,660	\$ 11,317	-	\$ -	\$ -	\$ -	1,000	\$ 390,155
Nien Hsing International (B.V.I.) Ltd.	RABOBANK NEDERLAND	Bond investments with no active market	-	-	8,000	288,901	4,000	153,311	7,647	-	-	-	-	12,000	449,859
C. Square Investment Co., Ltd.	C Square Garment Co., Ltd.	Investments accounted for by using equity method	-	-	400,000	11,214	6,610,231	194,415	2,100	-	-	-	-	7,010,231	207,729
Nien Hsing International Investment Co., Ltd.	Entire Technology Co., Ltd.	Available-for-sale financial assets - current	-	-	1,637,556	460,153	165,213 (Note 2)	-	(430,543)	1,802,769	235,630	29,610	206,020	-	-

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

Note 2: Stock dividend.

TABLE 4

## 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, 2011  
 (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.	Formosa Textile Co., Ltd.	Sale	Sale	\$ (632,322)	(6)	Note B	-	Note B	\$ 87,120	5	
	Nien Hsing Garment (Vietnam) Co., Ltd	Subsidiary	Processing expense	599,238	15	Note A	Note A	Note A	(141,520)	(18)	Note C
	Chu Hsing Garment (Cambodia) Co., Ltd.	Subsidiary	Processing expense	492,833	12	Note A	Note A	Note A	(85,465)	(11)	Note C
	Formosa Textile Co., Ltd.	Subsidiary	Processing expense	400,441	10	Note A	Note A	Note A	-	-	Note C
	Nien Hsing (Ninh Binh) Garment Co., Ltd.	Subsidiary	Processing expense	383,598	9	Note A	Note A	Note A	-	-	Note C
	Global Garments (Proprietary) Co., Ltd.	Subsidiary	Processing expense	343,314	8	Note A	Note A	Note A	(9,889)	(1)	Note C
	Nien Hsing International (Lesotho) Co., Ltd.	Subsidiary	Processing expense	333,849	8	Note A	Note A	Note A	(10,516)	(1)	Note C
	C&Y Garments	Subsidiary	Processing expense	307,291	7	Note A	Note A	Note A	-	-	Note C
	Alpha Textile de Nicaragua S.A	Subsidiary	Processing expense	204,463	5	Note A	Note A	Note A	(63,555)	(8)	Note C
	Chentex Garment Co., Ltd.	Subsidiary	Processing expense	136,750	3	Note A	Note A	Note A	-	-	Note C
Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(599,238)	(99)	Note A	Note A	Note A	141,520	100	
Alpha de Nicaragua Textile S.A	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(204,463)	(100)	Note A	Note A	Note A	63,555	100	
Nien Hsing (Ninh Binh) Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(383,598)	(98)	Note A	Note A	Note A	-	-	
Chu Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(492,833)	(95)	Note A	Note A	Note A	85,465	89	
Chentex Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(136,750)	(99)	Note A	Note A	Note A	-	-	
C&Y Garments	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(307,291)	(99)	Note A	Note A	Note A	-	-	
Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(333,849)	(99)	Note A	Note A	Note A	10,516	96	
Global Garments (Proprietary) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Processing income	(343,314)	(99)	Note A	Note A	Note A	9,889	93	
Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	Purchase	632,322	100	Note B	-	Note B	(87,120)	(83)	
		Parent company	Processing income	(400,441)	(95)	Note A	Note A	Note A	-	-	
Phoenix Development & Marketing Co., Ltd.	Nien Hsing International Victoria Ltd.	Same as parent company	Processing expense	551,522	84	Note A	Note A	Note A	(124,743)	(92)	Note C
Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd.	Same as parent company	Processing income	(551,522)	(100)	Note A	Note A	Note A	124,743	87	

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 as a ratio to 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, 2011

(In Thousands of New Taiwan Dollars)

Company Name	Related Party	Nature of Relationship	Ending Balance	Turnover Rate	Overdue		Amount Received in Subsequent Year	Allowance for Bad Debt
					Amount	Action Taken		
Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd.	Parent company	\$ 141,520	Notes A	\$ -	-	\$ 108,323	\$ -
Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd.	Same as parent company	124,743	Notes A	-	-	40,136	-

Notes:

A: Payments were made upon operation request.

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

## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

NAMES, LOCATIONS, AND OTHER INFORMATION OF INVESTEEES ON WHICH THE COMPANY EXERCISES SIGNIFICANT INFLUENCE  
 YEAR ENDED DECEMBER 31, 2011  
 (In Thousands of New Taiwan Dollars)

Investor Company	Investee Company	Location	Main Businesses and Products	Accumulated Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note (Relationship of Investee to Investor)
				December 31, 2011	December 31, 2010	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	\$ 3,351,921	\$ 3,978,062	208,350	100.00	\$ 4,966,124	\$ 366,062	\$ 365,848	Subsidiary (Note A)
	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Ninh Phuc Industrial Zone, Ninh Binh City, Thai Binh Province, Vietnam	Manufactures jeans	714,092	714,092	-	100.00	552,431	(39,118)	(39,118)	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	456,232	32,642	32,642	Subsidiary
	Alpha Textile S.A. Nicaragua	Km 15 1/2 Carretera Nueva a L'eon, Los Brasiles, Managua	Dyes leisure clothing	380,294	208,634	1,000	100.00	390,155	(3,131)	(3,131)	Subsidiary
	Chu Hsing Garment (Cambodia) Co., Ltd.	Road 6A; Phum Khtor; Sangkat Prek Leap; Russey Keo District; Phnom Penh; Kingdom of Cambodia	Manufactures leisure clothing	288,801	288,801	14,000	100.00	312,911	7,831	7,831	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	20,000	2,000,000	100.00	267,628	223,978	226,170	Subsidiary (Note A)
	Chih Hsing Garment (Cambodia) Co., Ltd.	Road 6A; Phum Khtor; Sangkat Prek Leap; Russey Keo District; Phnom Penh; Kingdom of Cambodia	Manufactures leisure clothing	54,396	-	1,825	100.00	54,996	(225)	(225)	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	5,208	4,011,687	22.42	50,431	12,023	2,696	Equity-method investee
	Chu Hsing Garment Co., Ltd.	13F, No. 306 Niehu Rd., Sec. 1, Niehu Taipei, Taiwan 114, R.O.C.	Manufactures and sells leisure clothing	86,360	131,360	500,000	100.00	21,501	5,398	5,398	Subsidiary
	Smar Tech Jeans Process Co., Ltd.	No. 119-3, Xiafuwei, Houlong Township, Miaoli Country 356, Taiwan, R.O.C.	Manufactures leisure clothing	2,750	-	275,000	55.00	2,237	(933)	(513)	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	-	-	22	119	119	Subsidiary
	Chentex Garment (Cambodia) Co., Ltd.	Phum Kbal Domrey Sangkat Kakab, Dongkor District Phnom Penh Kingdom of Cambodia	Manufactures leisure clothing	-	118,267	-	-	-	(45,445)	(45,445)	Subsidiary
	Wu Hsing International Co., Ltd.	No. 97, Ln. 297, Yuanguan Rd., Nuannuan Dist., Keelung City 205, Taiwan, 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	538,101	29,400	100.00	707,163	(16,947)	(16,947)	Subsidiary
	Nien Hsing International (Samoa) Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Investment holding company	1,294,422	1,294,422	40,300,000	100.00	1,711,795	150,288	150,288	Subsidiary
	Phoenix Development & Marketing Co., Ltd.	Level 2. Lotemau Centre, Vaea Street, Apia, Samoa	Sells denims and makes business investments	1,442,492	1,602,769	45,000,000	100.00	1,824,173	216,519	216,519	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	62,174 193,398	64,180 193,398	1,743,750 6,017,964	77.50 67.00	58,548 168,220	(42) (16,303)	(32) (10,923)	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	206,989	12,574	7,010,231	100.00	207,729	(3,811)	(3,811)	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	574,575	(13,145)	(13,145)	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	26	99.99	(12,889)	3,738	3,738	Subsidiary

(Continued)

Investor Company	Investee Company	Location	Main Businesses and Products	Accumulated Investment Amount		Balance as of December 31, 2011			Net Income (Loss) of the Investee	Investment Gain (Loss)	Note (Relationship of Investee to Investor)
				December 31, 2011	December 31, 2010	Shares	Percentage of Ownership	Carrying Value			
Nien Hsing International (Samoa) Ltd.	C&Y Garments	Site No. 7D Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	\$ 105,226	\$ 105,226	99,800	99.80	\$ 113,164	\$ 25,642	\$ 25,642	Subsidiary
	Nien Hsing International (Lesotho) Co., Ltd.	Site No. 009 Thetsane Industrial Area Maseru 100. Lesotho	Manufactures jeans	10,562	10,562	200,000	100.00	168,742	68,793	68,793	Subsidiary
	Global Garments Co., Ltd.	Site No. 12293-827 Thetsane Industrial Area. Maseru 100, Lesotho	Manufactures jeans	150,535	150,535	100,000	100.00	202,953	46,890	46,890	Subsidiary
	Formosa Textile Co., Ltd.	827 Thetsane Industrial Area, Maseru 100. Lesotho	Manufactures denims	280,856	280,856	100,000	100.00	437,625	11,224	11,224	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	61,177	39,059	14,452	Equity-method investee
	C&D Capital Corp.	OMC Chambers, P.O. Box 3152, Road Town, Tortola, British Virgin Islands	Business investment	113,919	172,142	3,658,887	22.42	111,588	111,281	24,955	Equity-method investee
	C&D Capital II Corp.	OMC Chambers, Wickhams Cay 1, Road Town, Tortola, British Virgin Islands	Business investment	144,117	144,117	4,500,000	28.74	136,070	(208)	(60)	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

Notes:

A: Because of adjusting the transactions between subsidiaries, there is a difference between net income of the investee and investment gain the Company recognized.

B: 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, 2011  
(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, 2011	Investment Flows		Accumulated Outflow of Investment from Taiwan as of December 31, 2011	% Ownership of Direct and Indirect Investment	Investment Gain (Loss)	Carrying Value as of December 31, 2011	Accumulated Inward Remittance of Earnings as of December 31, 2011
					Outflow	Inflow					
Fuzhou Tong Yang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	\$ 529,550	Indirect: Through an investment company registered in a third region	\$ 5,757	\$ -	\$ -	\$ 5,757	0.74%	\$ -	\$ -	\$ -
Chongqing Dajiang Yuchyang Plastics Co., Ltd.	Manufactures and sells automobile and motorcycle parts	393,380	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	163,404	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	45,390	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	36,312	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	817,020	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	363,120	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	45,390	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	-	Indirect: Through an investment company registered in a third region	2,763	-	-	2,763	-	-	-	-
NBC (NAN JING) Co., Ltd.	Manufactures and sells industrial chemicals	90,780	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	393,380	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	605,200	Indirect: Through an investment company registered in a third region	3,869	-	-	3,869	0.52%	-	-	-

Accumulated Investment in Mainland China as of December 31, 2011	Investment Amount Authorized by the Investment Commission, MOEA	Upper Limit on Investment
\$31,869	\$29,329	\$6,784,174



## NIEN HSING TEXTILE CO., LTD. AND SUBSIDIARIES

INTERCOMPANY TRANSACTIONS  
YEARS ENDED DECEMBER 31, 2011 AND 2010  
(In Thousands of New Taiwan Dollars)

2011

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 (Cambodia) Co., Ltd.	1	Other revenue	\$ 1,206	Note D	0.01
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	1	Other revenue	6,786	Note D	0.05
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	1	Receivable from related parties	950	Note B	0.01
		C&Y Garments	1	Receivable from related parties	760	Note B	0.01
		Formosa Textile Co., Ltd.	1	Sales revenue	632,322	Note B	4.82
		Formosa Textile Co., Ltd.	1	Receivable from related parties	87,120	Note B	0.59
		Phoenix Development & Marketing Co., Ltd.	1	Service revenue	9,633	Note D	0.07
		Phoenix Development & Marketing Co., Ltd.	1	Receivable from related parties	8,419	Note B	0.06
		Smar Tech Jeans Process Co., Ltd.	1	Rent revenue	24	Note D	-
		Smar Tech Jeans Process Co., Ltd.	1	Service revenue	2,344	Note D	0.02
		Smar Tech Jeans Process Co., Ltd.	1	Sales revenue	81	Note B	-
		Smar Tech Jeans Process Co., Ltd.	1	Receivable from related parties	1,984	Note B	0.01
		Nien Hsing International Investment Co., Ltd.	1	Rent revenue	25	Note D	-
		Nien Hsing International Investment Co., Ltd.	1	Receivable from related parties	26	Note B	-
		C Square Investment Co., Ltd.	1	Receivable from related parties	6,782	Note B	0.05
C Square Garment Co., Ltd.	1	Receivable from related parties	12,214	Note B	0.08		
1	Chu Hsing Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	3,020	Note B	0.02
2	Chu Hsing Garment (Cambodia) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	492,833	Note C	3.76
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	85,465	Note B	0.58
		Chentex Garment Co., Ltd.	3	Processing income	5,462	Note C	0.04
		C Square Investment Co., Ltd.	3	Processing income	18,859	Note C	0.14
		C Square Investment Co., Ltd.	3	Other revenue	9,280	Note D	0.07
		C Square Investment Co., Ltd.	3	Receivable from related parties	5,749	Note B	0.04
		C Square Garment Co., Ltd.	3	Receivable from related parties	4,459	Note B	0.03
3	Chentex Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	136,750	Note C	1.04
		Chu Hsing Garment (Cambodia) Co., Ltd.	3	Processing income	1,750	Note C	0.01
4	Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	599,238	Note C	4.57
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	141,520	Note B	0.96
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	3	Processing income	11	Note C	-

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
5	Nien Hsing Garment (Ninh Binh) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	\$ 383,598	Note C	2.93
		Nien Hsing Garment (Vietnam) Co., Ltd.	3	Processing income	8,029	Note C	0.06
		Nien Hsing Garment (Vietnam) Co., Ltd.	3	Receivable from related parties	8,461	Note B	0.06
6	Alpha Textile de Nicaragua, S.A.	Nien Hsing Textile Co., Ltd.	2	Processing income	204,463	Note C	1.56
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	63,555	Note B	0.43
7	Nien Hsing International (Bermuda) Ltd.	Phoenix Development & Marketing Co., Ltd.	3	Rent revenue	56,198	Note D	0.43
8	Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd.	3	Processing income	551,522	Note C	4.21
		Phoenix Development & Marketing Co., Ltd.	3	Receivable from related parties	124,743	Note B	0.85
		Nien Hsing Confeccion Ltd.	3	Receivable from related parties	14,333	Note B	0.10
9	Nien Hsing International (Samoa) Ltd.	Nien Hsing Textile Co., Ltd.	2	Rent revenue	214,853	Note D	1.64
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	51,837	Note B	0.35
10	C&Y Garments	Nien Hsing Textile Co., Ltd.	2	Processing income	307,291	Note C	2.34
		Nien Hsing International (Lesotho) Co., Ltd.	3	Processing income	24	Note C	-
		Global Garment Co., Ltd.	3	Processing income	53	Note C	-
11	Nien Hsing International (Lesotho) Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	333,849	Note C	2.55
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	10,516	Note B	0.07
		C&Y Garments	3	Processing income	499	Note C	-
		C&Y Garments	3	Receivable from related parties	457	Note B	-
		Global Garment Co., Ltd.	3	Processing income	598	Note C	-
12	Global Garment Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	343,314	Note C	2.62
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	9,889	Note B	0.07
		C&Y Garments	3	Processing income	287	Note C	-
		C&Y Garments	3	Receivable from related parties	572	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	3	Processing income	2,133	Note C	0.02
		Nien Hsing International (Lesotho) Ltd.	3	Receivable from related parties	189	Note B	-
13	Formosa Textile Co., Ltd.	Nien Hsing Textile Co., Ltd.	2	Processing income	400,441	Note C	3.06
		C&Y Garments	3	Other revenue	114	Note C	-
		C&Y Garments	3	Receivable from related parties	68	Note B	-
		Nien Hsing International (Lesotho) Co., Ltd.	3	Receivable from related parties	545	Note B	-
		Global Garment Co., Ltd.	3	Receivable from related parties	345	Note B	-
14	Phoenix Development & Marketing Co., Ltd.	Nien Hsing International (Bermuda) Ltd.	3	Receivable from related parties	36,122	Note B	0.25
20	Chih Hsing Garment (Cambodia) Co., Ltd.	Chu Hsing Garment (Cambodia) Co., Ltd.	3	Receivable from related parties	1,422	Note B	0.01

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
0	Nien Hsing Textile Co., Ltd.	Chu Hsing Garment Co., Ltd.	1	Sales revenue	\$ 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	-
		Nien Hsing Garment (Ninh Binh) Co., Ltd.	1	Other revenue	2,529	Note D	0.02
		Nien 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
		C Square Investment Co., Ltd.	3	Receivable from related parties	1,814	Note B	0.01
		C Square Garment Co., Ltd.	3	Receivable from related parties	1,181	Note B	0.01
4	Chentex Garment Co., Ltd.	Chu Hsing Garment Co., Ltd.	3	Processing income	115,673	Note C	0.90
		Nien Hsing Textile Co., Ltd.	2	Processing income	142,239	Note C	1.11
		Nien Hsing Textile Co., Ltd.	2	Receivable from related parties	12,292	Note B	0.08
		Chu Hsing Garment (Cambodia) Co., Ltd.	3	Processing income	254	Note C	-

(Continued)

Number	Transacting Company	Counter-Party	Flow of Transactions (Note A)	Status			
				Account	Amount (Note E)	Condition	Ratio to Consolidated Operating Revenue or Asset (%)
5	Nien Hsing Garment (Vietnam) Co., Ltd.	Nien Hsing Textile Co., Ltd. Nien Hsing Textile Co., Ltd.	2	Processing income	\$ 417,087	Note C	3.25
			2	Receivable from related parties	37,046	Note B	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	Processing income	90,781	Note C	0.71
			3	Processing income	3,263	Note C	0.03
			3	Receivable from related parties	879	Note B	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	Rent revenue	98,804	Note D	0.77
			3	Receivable from related parties	7,798	Note B	0.05
9	Nien Hsing International Victoria Ltd.	Phoenix Development & Marketing Co., Ltd. Phoenix Development & Marketing Co., Ltd. Nien Hsing Confeccion Ltd.	3	Processing income	552,291	Note C	4.30
			3	Receivable from related parties	58,655	Note B	0.39
			3	Receivable from related parties	21,316	Note B	0.14
10	Nien Hsing International (Samoa) Ltd.	Nien Hsing Textile Co., Ltd. Formosa Textile Co., Ltd.	2	Rent revenue	227,369	Note D	1.77
			3	Receivable from related parties	8,155	Note B	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	Processing income	287,881	Note C	2.24
			2	Receivable from related parties	150,705	Note B	1.00
			3	Processing income	1,847	Note C	0.01
			3	Processing income	663	Note C	0.01
			3	Receivable from related parties	4,306	Note B	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	Processing income	364,175	Note C	2.83
			2	Receivable from related parties	62,410	Note B	0.41
			3	Processing income	200	Note C	-
			3	Receivable from related parties	1,383	Note B	0.01
			3	Processing income	1,780	Note C	0.01
			3	Receivable from related parties	47	Note B	-
			3	Rent revenue	3,473	Note D	0.03
			3	Receivable from related parties	4,055	Note B	0.03
			3	Receivable from related parties	52,869	Note B	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. Nien Hsing International (Lesotho) Co., Ltd. Nien Hsing International (Samoa) Ltd.	2	Processing income	342,102	Note C	2.66
			2	Receivable from related parties	61,876	Note B	0.41
			3	Processing income	125	Note C	-
			3	Receivable from related parties	432	Note B	-
			3	Processing income	3,211	Note C	0.02
			3	Receivable from related parties	21,061	Note B	0.14

(Continued)

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

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)