

ECLAT TEXTILE CO., LTD.
Financial Statements
December 31, 2010 and 2009
(With Auditors' Report Thereon)

Independent Auditors' Report

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

We have audited the accompanying balance sheet of Eclat Textile Co., Ltd. (the "Company") as of December 31, 2010 and 2009, and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, based on our audits, the financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Eclat Textile Co., Ltd. as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the years then ended, in conformity with the related financial accounting standards of the "Business Entity Accounting Act" and of the "Regulation on Business Entity Accounting Handling", the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, and accounting principles generally accepted in the Republic of China.

We have audited the consolidated financial statements as of and for the years ended December 31, 2010 and 2009. Based on our audits, we expressed an unqualified opinion on those consolidated financial statements.

Taipei Taiwan (the Republic of China)
March 17, 2011

Notes to Readers

The accompanying 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 financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

ECLAT TEXTILE CO., LTD.

Balance Sheets

December 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars)

| <u>Assets</u> | <u>2010.12.31</u> | | <u>2009.12.31</u> | | <u>Liabilities and Stockholders' Equity</u> | <u>2010.12.31</u> | | <u>2009.12.31</u> | |
|---|---------------------|------------|-------------------|------------|---|---------------------|------------|-------------------|------------|
| | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> | | <u>Amount</u> | <u>%</u> | <u>Amount</u> | <u>%</u> |
| Current assets: | | | | | Current liabilities: | | | | |
| Cash and cash in bank (note 4) | \$ 139,411 | 3 | 171,533 | 4 | Short-term borrowings (notes 13 and 21) | \$ 370,000 | 7 | - | - |
| Financial assets reported at fair value through profit or loss (note 5) | 17,252 | - | 4,732 | - | Notes payable | 117,541 | 2 | 63,430 | 2 |
| Notes receivable (note 6) | 3,693 | - | 9,218 | - | Notes payable—related parties (note 20) | 108,012 | 2 | 60,519 | 1 |
| Notes receivable—related parties (note 20) | 589 | - | 710 | - | Accounts payable | 335,570 | 6 | 285,804 | 7 |
| Accounts receivable (note 6) | 1,057,144 | 20 | 826,017 | 21 | Accounts payable—related parties (note 20) | 158,195 | 3 | 126,847 | 3 |
| Accounts receivable—related parties (note 20) | 10,473 | - | 899 | - | Income tax payable | 89,782 | 2 | 160,597 | 4 |
| Other financial assets—current (note 20) | 25,706 | 1 | 9,012 | - | Accrued expenses | 231,905 | 4 | 159,903 | 4 |
| Other receivable—related parties (note 20) | 203,910 | 4 | 191,940 | 5 | Other payables (note 20) | 42,844 | 1 | 3,106 | - |
| Inventories, net (note 7) | 1,242,006 | 23 | 792,127 | 20 | Other current liabilities | 17,130 | - | 32,787 | 1 |
| Deferred income tax asset, net—current (note 16) | 6,891 | - | 1,357 | - | Total current liabilities | <u>1,470,979</u> | <u>27</u> | <u>892,993</u> | <u>22</u> |
| Other current assets | 105,245 | 2 | 73,830 | 2 | | | | | |
| Total current assets | <u>2,812,320</u> | <u>53</u> | <u>2,081,375</u> | <u>52</u> | Long-term borrowings (notes 14 and 21) | <u>100,000</u> | <u>2</u> | <u>-</u> | <u>-</u> |
| Funds and long-term investments | | | | | Other liabilities: | | | | |
| Long-term investments under equity method (note 8) | 1,640,114 | 31 | 1,061,461 | 26 | Accrued pension liability (note 15) | 97,100 | 2 | 92,655 | 2 |
| Financial assets under cost method—non-current (note 9) | - | - | - | - | Deposits received | 65,951 | 1 | 190 | - |
| Total funds and long-term investments | <u>1,640,114</u> | <u>31</u> | <u>1,061,461</u> | <u>26</u> | Total other liabilities | <u>163,051</u> | <u>3</u> | <u>92,845</u> | <u>2</u> |
| | | | | | Total liabilities | <u>1,734,030</u> | <u>32</u> | <u>985,838</u> | <u>24</u> |
| Property, plant and equipment (notes 10 and 21): | | | | | Stockholders' equity (note 17): | | | | |
| Cost: | | | | | Common stock | 1,992,848 | 37 | 1,934,804 | 48 |
| Land | 351,624 | 7 | 351,624 | 9 | Capital surplus | 293,678 | 6 | 293,678 | 7 |
| Buildings | 437,657 | 8 | 437,657 | 11 | Retained earnings: | | | | |
| Machinery and equipment | 562,669 | 10 | 518,790 | 13 | Legal reserve | 282,178 | 5 | 244,492 | 6 |
| Transportation equipment | 19,729 | - | 17,389 | - | Special reserve | 78,528 | 1 | 19,754 | 1 |
| Office equipment | 84,027 | 2 | 80,698 | 2 | Unappropriated earnings (note 16) | 1,053,142 | 20 | 637,409 | 16 |
| Miscellaneous equipment | 32,091 | 1 | 27,970 | 1 | Total stockholders' equity | <u>1,413,848</u> | <u>26</u> | <u>901,655</u> | <u>23</u> |
| Total cost | <u>1,487,797</u> | <u>28</u> | <u>1,434,128</u> | <u>36</u> | Cumulative translation adjustments (note 8) | (62,516) | (1) | (78,527) | (2) |
| Less: accumulated depreciation | (680,457) | (13) | (636,536) | (16) | Total stockholders' equity | <u>3,637,858</u> | <u>68</u> | <u>3,051,610</u> | <u>76</u> |
| Prepayments for machinery and equipment | 4,193 | - | 200 | - | | | | | |
| Net property, plant and equipment | <u>811,533</u> | <u>15</u> | <u>797,792</u> | <u>20</u> | Commitments and contingencies (note 22) | | | | |
| Intangible assets | | | | | | | | | |
| Computer software (note 11) | 3,196 | - | 3,013 | - | | | | | |
| Other assets: | | | | | Total liabilities and stockholders' equity | <u>\$ 5,371,888</u> | <u>100</u> | <u>4,037,448</u> | <u>100</u> |
| Assets leased to others, net (notes 10 and 21) | 11,418 | - | 11,549 | - | | | | | |
| Deferred charges (note 12) | 7,536 | - | 3,421 | - | | | | | |
| Deferred income tax asset, net—non-current (note 16) | 12,498 | - | 5,197 | - | | | | | |
| Other assets (note 21) | 73,273 | 1 | 73,640 | 2 | | | | | |
| Total other assets | <u>104,725</u> | <u>1</u> | <u>93,807</u> | <u>2</u> | | | | | |
| Total assets | <u>\$ 5,371,888</u> | <u>100</u> | <u>4,037,448</u> | <u>100</u> | | | | | |

See accompanying notes to financial statements.

ECLAT TEXTILE CO., LTD.

Statements of Income

For the years ended December 31, 2010 and 2009

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

| | 2010 | | 2009 | |
|--|--------------|------|-------------|------|
| | Amount | % | Amount | % |
| Operating revenues | | | | |
| Sales revenue | \$ 8,505,117 | 101 | 6,212,478 | 101 |
| Less: Sales returns | (7,391) | - | (17,018) | - |
| Sales allowances | (48,766) | (1) | (32,905) | (1) |
| Net operating revenues (note 20) | 8,448,960 | 100 | 6,162,555 | 100 |
| Cost of goods sold (notes 11 and 20) | (6,731,722) | (80) | (4,685,077) | (76) |
| Gross profit | 1,717,238 | 20 | 1,477,478 | 24 |
| Operating expenses (notes 11 and 20) | | | | |
| Sales expenses | (486,694) | (6) | (382,854) | (6) |
| Administrative and general expenses | (391,619) | (5) | (283,054) | (5) |
| Research and development expenses | (29,419) | - | (32,157) | (1) |
| Total operating expenses | (907,732) | (11) | (698,065) | (12) |
| Operating income | 809,506 | 9 | 779,413 | 12 |
| Non-operating income and gains: | | | | |
| Interest income (note 20) | 5,381 | - | 4,336 | - |
| Investment gain recognized under equity method, net (note 8) | 126,978 | 2 | - | - |
| Gain on disposal of property and equipment | - | - | 451 | - |
| Gain on disposal of investments | 825 | - | - | - |
| Rent income (note 20) | 2,621 | - | 2,506 | - |
| Evaluation gain on financial assets (note 5) | 58,622 | 1 | 4,808 | - |
| Miscellaneous income | 5,344 | - | 4,004 | - |
| Total non-operating income and gains | 199,771 | 3 | 16,105 | - |
| Non-operating expenses and losses: | | | | |
| Interest expense | (4,324) | - | (4,425) | - |
| Investment loss recognized under equity method, net (note 8) | - | - | (186,988) | (3) |
| Loss on disposal of property and equipment | (499) | - | - | - |
| Foreign exchange loss, net | (100,215) | (1) | (16,885) | - |
| Impairment loss on assets (note 9) | - | - | (7,569) | - |
| Miscellaneous expenses | (3,899) | - | (139) | - |
| Total non-operating expenses and losses | (108,937) | (1) | (216,006) | (3) |
| Income before income tax | 900,340 | 11 | 579,512 | 9 |
| Income tax (note 16) | (136,623) | (2) | (202,646) | (3) |
| Net income | \$ 763,717 | 9 | 376,866 | 6 |
| Basic earnings per share (note 18) | | | | |
| Before income tax | \$ 4.52 | | 2.91 | |
| After income tax | \$ 3.83 | | 1.89 | |

See accompanying notes to financial statements.

ECLAT TEXTILE CO., LTD.
Statements of Changes in Stockholders' Equity
For the years ended December 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars)

| | <u>Common stock</u> | <u>Capital surplus</u> | <u>Retained earnings</u> | | | <u>Cumulative translation adjustments</u> | <u>Total</u> |
|---|----------------------------|----------------------------|--------------------------|----------------------------|---|---|-------------------------|
| | | | <u>Legal reserve</u> | <u>Special reserve</u> | <u>Unappropriated retained earnings</u> | | |
| Balance as of January 1, 2009 | \$ 1,896,866 | 293,678 | 225,231 | - | 413,371 | (19,753) | 2,809,393 |
| Appropriation and distribution of retained earnings (note 1): | | | | | | | |
| Appropriated as legal reserve | - | - | 19,261 | - | (19,261) | - | - |
| Appropriated as special reserve | - | - | - | 19,754 | (19,754) | - | - |
| Stock dividends to shareholders | 37,938 | - | - | - | (37,938) | - | - |
| Cash dividends to shareholders | - | - | - | - | (75,875) | - | (75,875) |
| Net income for 2009 | - | - | - | - | 376,866 | - | 376,866 |
| Change in cumulative translation adjustments | - | - | - | - | - | (58,774) | (58,774) |
| Balance as of January 1, 2010 | 1,934,804 | 293,678 | 244,492 | 19,754 | 637,409 | (78,527) | 3,051,610 |
| Appropriation and distribution of retained earnings (note 2): | | | | | | | |
| Appropriated as legal reserve | - | - | 37,686 | - | (37,686) | - | - |
| Appropriated as special reserve | - | - | - | 58,774 | (58,774) | - | - |
| Stock dividends to shareholders | 58,044 | - | - | - | (58,044) | - | - |
| Cash dividends to shareholders | - | - | - | - | (193,480) | - | (193,480) |
| Net income for 2010 | - | - | - | - | 763,717 | - | 763,717 |
| Change in cumulative translation adjustments | - | - | - | - | - | 16,011 | 16,011 |
| Balance as of December 31, 2010 | \$ <u>1,992,848</u> | <u>293,678</u> | <u>282,178</u> | <u>78,528</u> | <u>1,053,142</u> | <u>(62,516)</u> | <u>3,637,858</u> |

Note 1: The employees' bonus of \$114 thousand appropriated from 2008 earnings is expensed in the 2008 non-consolidated statement.

Note 2: The employees' bonus of \$252 thousand appropriated from 2009 earnings is expensed in the 2009 non-consolidated statement.

See accompanying notes to financial statements.

ECLAT TEXTILE CO., LTD.

Statements of Cash Flows

For the years ended December 31, 2010 and 2009

(Expressed in thousands of New Taiwan dollars)

| | 2010 | 2009 |
|--|-------------------|------------------|
| Cash flows from operating activities: | | |
| Net income | \$ 763,717 | 376,866 |
| Adjustments: | | |
| Depreciation and amortization | 51,883 | 67,264 |
| Loss (gain) on disposal of property and equipment, net | 499 | (451) |
| Loss on inventory valuation | 10,000 | - |
| Investment (gain) loss on equity-method investees | (126,978) | 186,988 |
| Decrease in other financial assets | - | 480 |
| Loss on doubtful accounts | 23,913 | - |
| Gain on evaluation of financial assets | (58,622) | (4,808) |
| Impairment loss on financial assets carried at cost | - | 7,569 |
| Increase in notes and accounts receivable | (242,055) | (16,000) |
| (Increase) decrease in inventories | (459,878) | 77,814 |
| (Increase) decrease in other current assets | (47,741) | 16,133 |
| Increase in deferred income tax assets | (19,662) | (4,311) |
| Increase (decrease) in notes and accounts payable | 182,718 | (67,398) |
| Increase in accrued expense and other current liabilities | 25,268 | 122,465 |
| Increase in deposits received | 65,761 | 20 |
| Unremitted pension | 4,445 | 3,192 |
| Dividends from equity-method investees | 41,071 | 16,204 |
| Net cash provided by operating activities | 214,339 | 782,027 |
| Cash flows from investing activities: | | |
| Proceeds from sales of property and equipment | - | 544 |
| Purchase of property and equipment | (61,650) | (21,021) |
| Increase in deferred charges | (6,464) | (2,215) |
| Increase in other receivable — related parties | (11,970) | (159,140) |
| Increase in long-term investments | (469,907) | - |
| Increase in intangible assets | (2,176) | (229) |
| Decrease in financial assets | 29,186 | 76 |
| Net cash used in investing activities | (522,981) | (181,985) |
| Cash flows from financing activities: | | |
| Increase (decrease) in short-term borrowings | 370,000 | (420,000) |
| Increase (decrease) in long-term borrowings | 100,000 | (100,000) |
| Cash dividends | (193,480) | (75,875) |
| Net cash provided by (used in) financing activities | 276,520 | (595,875) |
| Net increase (decrease) in cash and cash in bank | (32,122) | 4,167 |
| Cash and cash in bank at beginning of year | 171,533 | 167,366 |
| Cash and cash in bank at end of year | \$ 139,411 | 171,533 |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | \$ 4,124 | 4,736 |
| Income tax paid | \$ 227,100 | 73,037 |

See accompanying notes to financial statements.

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

December 31, 2010 and 2009

(Expressed in thousands of New Taiwan dollars unless otherwise specified)

1 Organization and Business

Eclat Textile Co., Ltd. (the Company) was incorporated in November 1977 and set up the Tashan Plant and Hsichou Plant in Miao-li and the Wu Ku Plant in Taipei. It has mainly been involved in the manufacturing and marketing of knitwear. As of December 31, 2010 and 2009, the number of employees hired by the Company was 888 and 863, respectively.

2 Summary of Significant Accounting Policies

The financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, the Business Entity Accounting Act, the Regulation on Business Entity Accounting Handling, and accounting principles and practices generally accepted in Taiwan, the Republic of China. The significant accounting policies and measurement basis adopted in preparing the accompanying financial statements are summarized as follows:

(a) Use of estimates

The preparation of the accompanying financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting periods. Economic conditions and events could cause actual results to differ significantly from these estimates.

(b) Foreign currency transactions and translation

The Company's reporting currency is the New Taiwan dollar. Non-derivative foreign currency transactions are recorded at the exchange rates prevailing at the transaction date. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated into New Taiwan dollars using the exchange rates on that date. The resulting unrealized exchange gains or losses from such translations are reflected in the accompanying statements of income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the reporting currency at the foreign exchange rates at the date the fair value was determined. If the non-monetary assets or liabilities are measured at fair value through profit or loss, the resulting unrealized exchange gains or losses from such translation are reflected in the accompanying statements of income. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, the resulting unrealized exchange gains or losses from such translation are recorded as a separate component of stockholders' equity.

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

For long-term equity investments in foreign investees which are accounted for by the equity method, their foreign currency financial statements are translated into the Company's reporting currency. Assets and liabilities of foreign operations are translated using the exchange rates on the balance sheet date. Except for the beginning balance of retained earnings that is carried over from the prior period, the accounts under stockholders' equity are translated at historical exchange rates. Dividends are translated at exchange rates on the declaration date. Revenue and expense accounts are translated using average rates during the period. Translation adjustments resulting from the translation of foreign currency financial statements into the Company's reporting currency are accounted for as translation adjustment, a separate component of stockholders' equity.

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

Cash or cash equivalents, and assets that are held primarily for the purpose of being traded or are expected to be realized within 12 months after the balance sheet date are classified as current assets; all other assets are classified as non-current.

Liabilities that are held primarily for the purpose of being traded or are expected to be settled within 12 months after the balance sheet date are classified as current liabilities; all other liabilities are classified as non-current liabilities.

(d) Asset impairment

The Company assesses at each balance sheet date whether there is any indication that an asset (individual asset or cash-generating unit) may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount.

The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

The Company assesses the goodwill and intangible assets that have indefinite lives or are not yet available for use on an annual basis and recognizes an impairment loss on the carrying value in excess of the recoverable amount.

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ECLAT TEXTILE CO., LTD.**Notes to Financial Statements****(e) Financial instruments**

The Company uses transaction-date accounting for financial instrument transactions. At initial recognition, financial instruments are evaluated at fair value. Except for financial assets and liabilities measured at fair value through profit or loss, acquisition cost or issuance cost is added to the originally recognized amount.

Subsequent to initial recognition, financial instruments are classified into the following categories in accordance with the purpose of holding or issuing of such financial instruments:

(i) Financial assets/liabilities at fair value through profit or loss

Financial instruments are classified into this category if the purpose of acquisition is principally selling or repurchasing in the near term. Except for effective hedging derivative financial instruments, all financial derivatives are included in this category. Changes in fair values are charged to current operations.

(ii) Financial assets carried at cost

Financial assets that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are carried at their original cost. If there is objective evidence which indicates that a financial asset is impaired, a loss is recognized. A subsequent reversal of such impairment loss is not allowed.

(f) Transfers of accounts receivable

Transfers of rights to accounts receivable are in accordance with Statement of Financial Accounting Standards No. 33 (SFAS No. 33) "Accounting for Transfers of Financial Assets and Extinguishments of Liabilities". The transferor has surrendered control over transferred assets if all of the following conditions are met:

- (i) The transferred assets have been isolated from the transferor. That is, they are put presumptively beyond the reach of the transferor and its creditors, even in bankruptcy or other receivership.
- (ii) Each transferee has the right to pledge or exchange the transferred assets, and no condition constrains the transferee (or holder) from taking advantage of its right to pledge or exchange and provides more than a trivial benefit to the transferor.

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

(iii) The transferor does not maintain effective control over the transferred assets through either:

- A. an agreement that both entitles and obligates the transferor to repurchase or redeem them before their maturity, or
- B. the ability to unilaterally cause the holder to return specific assets

The difference between accounts receivable and the advances received amount is reclassified to “other receivables”.

(g) Allowance for doubtful accounts

An allowance for doubtful receivables is provided based on a review of the collectability of accounts receivable. The Company determines the amount of allowance for doubtful receivables by examining the aging analysis of outstanding accounts receivable.

(h) Inventories

Effective January 1, 2009, the cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The allocation of production overheads to the finished goods and work in progress is based on the normal labor-hour or machine-hour capacity. Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

(i) Long-term investment under equity method

- (i) Long-term equity investments in which the Company, directly or indirectly, owns 20% or more of the investee companies’ voting shares, or owns less than 20% of the investee companies’ voting shares but has significant influence on the investee companies, are accounted for by the equity method. Starting from January 1, 2006, differences between investment cost and net equity at fair value are accounted for as follows:
 - i If the difference could be attributed to specific reasons, the difference should be accounted for using the original accounting treatment. However, goodwill is no longer amortized, and preceding expenses cannot be reversed.
 - ii If the difference could originally be amortized in a certain period, the unamortized portion belonging to investment cost in excess of net equity is accounted for as goodwill.

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

iii Deferred credit of long-term equity investment is amortized over the remaining period.

An impairment test is performed annually. If any indication of impairment is identified, an impairment test is performed immediately. Whenever a recoverable amount is below the book value, impairment loss is recognized.

The difference between the selling price and the book value of long-term equity investments under the equity method is recognized as disposal gain or loss in the accompanying non-consolidated statements of income. If there is capital surplus resulting from long-term equity investments, the capital surplus should be debited to disposal gain or loss based on the disposal ratio.

In addition to recognized investment income or loss by the equity method, the Company compiles consolidated financial statements for investee companies which the Company has the power to control on a semi-annual and annual basis.

Unrealized gains and losses resulting from transactions between the Company and its investee companies and among subsidiaries are deferred. Unrealized gains or losses resulting from depreciable or amortizable assets are recognized over their useful lives. Gains or losses from other assets are recognized when realized.

When investee companies issue common stock and the Company does not purchase the stock in accordance with its ownership holding ratio, the Company adjusts its capital surplus based on the net changes in the capital surplus and long-term equity investment. If the capital surplus arising from long-term investment accounted for under the equity method is insufficient, the deficiency is debited to retained earnings.

Investees that the Company controls are the Company's subsidiaries. The Company recognizes fully investment losses when the equity in net assets of such subsidiaries is negative except to the extent to that the minority shareholders have a binding obligation to, and is able to, make good the losses. Such credit balance of the carrying amount of a long-term equity investment is recorded as a liability on the balance sheet.

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

(j) Property, plant and equipment

Property, plant and equipment are stated at cost, which includes the capitalized interest incurred from the acquisition and installation of machinery and equipment. The cost of a major addition or improvement to, or replacement of, a component of an item of property, plant or equipment is capitalized to the carrying amount of the item. Costs associated with routine repairs and maintenance are expensed as incurred.

Property, plant and equipment not used in operations are classified as idle assets and are stated at the lower of carrying amount or net realizable value.

Depreciation of property, plant and equipment is calculated using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized using the straight-line method over the shorter of the lease term or estimated useful life of the asset.

In accordance with Interpretation (97)340 announced by the Accounting Research and Development Foundation (“ARDF”) on November 20, 2008, the estimated costs of dismantling and removing an item and restoring the site on which it is located are capitalized. Each part of an item of property, plant or equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The remaining useful life, depreciation method, and residual value are assessed at each fiscal year-end, and changes therein are accounted for as changes in accounting estimates.

The respective useful lives of assets are as follows:

- (i) Buildings: 10 to 60 years
- (ii) Machinery and equipment: 5 to 15 years
- (iii) Transportation equipment: 5 years
- (iv) Office equipment: 5 to 15 years
- (v) Miscellaneous equipment: 5 to 10 years

Gains or losses on the disposal of property, plant and equipment are recorded as non-operating income or expenses in the accompanying income statements.

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ECLAT TEXTILE CO., LTD.**Notes to Financial Statements****(k) Intangible assets**

Effective from January 1, 2007, the Company adopted SFAS No. 37 "Intangible Assets." In accordance with SFAS No. 37, other than intangible assets acquired by way of a government grant, which are measured at fair value, an intangible asset is measured initially at cost. Subsequent to initial recognition, an intangible asset is measured at its cost plus revaluation increment arising from revaluation made in accordance with the laws, less any accumulated amortization and any accumulated impairment losses.

The amortizable amount of capitalized development expenditure is determined after deducting its residual value. Amortization is recognized as an expense on a straight-line basis over the useful lives of intangible assets from the date that they are available for use. The estimated useful lives for computer software are 2 to 5 years.

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

(l) Deferred expenses and amortization

Deferred expenses are stated at cost and primarily consist of office remodeling. These expenses are deferred and amortized using the straight-line method over the estimated period benefited.

(m) Employee retirement plan

The Company has established an employee noncontributory defined benefit retirement plan covering all regular employees. In accordance with the plan, employees are eligible for retirement or are required to retire after meeting certain age or service requirements, or becoming disabled. Payments of retirement benefits are based on the basis points earned from years of service and the average salary for the six-month period before the employee's retirement. Each employee earns two points for each of the first fifteen years of service, and one point for each year of service thereafter.

Starting from July 1, 2005, the enforcement rules of the newly enacted Labor Pension Act (the "New Act") require the following categories of employees to adopt the New Act's defined contribution plan:

- (i) employees who were covered by the original plan and opted to be subject to the pension mechanism under the New Act; and

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

(ii) Employees who commenced working after the enforcement date of the New Act.

In accordance with the New Act, the rate of the employer's monthly contribution to an individual labor pension fund account per month shall not be lower than 6% of the worker's monthly wages.

For the portion of the retirement plan adopting the defined contribution scheme, in accordance with the New Act, the Company provides monthly contributions to the Bureau of Labor Insurance at the rate of 6% of the worker's monthly wages. This contribution is recognized as expense in the year when it is made.

The Company has adopted SFAS No. 18 "Accounting for Pensions" for the defined benefit plan. SFAS No. 18 requires that the Company calculate actuarial pension liability using the balance sheet date as the measurement date. The amount of accumulated benefit obligation in excess of the fair value of pension plan assets is deemed to be the minimum pension liability and is recognized as accrued pension liability. The Company also recognizes the net periodic pension cost, which consists of service cost, amortized net obligations at transition, interest cost, and asset gains or losses. The net obligation at transition is amortized using the straight-line method over the average employee service life of 15 years. The Company contributes monthly at the rate of 2% of wages and salaries into a designated account maintained with Bank of Taiwan in compliance with the ROC Labor Standards Law.

(n) Employees' bonus and directors' and supervisors' emoluments

Employees' bonus and directors' and supervisors' emoluments appropriated on or after January 1, 2008, are accounted for based on Interpretation (96) 052 issued by the Accounting Research and Development Foundation (ARDF). The Company estimates the amount of employees' bonus and directors' and supervisors' emoluments according to the Interpretation and recognizes it as expenses. The difference between the amounts approved in the shareholders' meeting and recognized in the financial statements, if any, is accounted for as a change in accounting estimates and recognized as profit or loss.

(o) Revenue recognition

Revenue is recognized when products are delivered to customers and the significant risks and rewards of ownership are transferred.

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements****(p) Income tax**

The Company has adopted SFAS No. 22 "Income Taxes" for income tax preparation. Deferred income taxes are determined based on differences between the financial statements and tax basis of assets and liabilities using enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences, loss carryforwards, and investment tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the deferred tax assets will not be realized, a valuation allowance is recognized accordingly.

Classification of the deferred income tax assets or liabilities as current or non-current is based on the classification of the related asset or liability. If a deferred income tax asset or liability is not directly related to a specific asset or liability, then the classification is based on the expected realization date of such deferred income tax asset or liability.

A tax imputation system was adopted in accordance with the amended ROC Income Tax Act. Under this system, the Company may retain the earnings arising after December 31, 1997, by paying 10% surtax on such undistributed earnings, and the surtax is accounted for as income tax expense on the date when the stockholders approve a resolution not to distribute the earnings.

(q) Earnings per common share

Earnings per share ("EPS") of common stock are calculated by dividing net income (or loss) for the reporting period attributable to common stockholders by the weighted-average number of common shares outstanding during that period. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance (arising from the capitalization of retained earnings, additional paid-in capital, or employees' bonus based on a resolution adopted by the shareholders' meeting before January 1, 2009), bonus element (such as bonus element in a rights issue to existing stockholders), or stock split.

3 Changes in Accounting Principles

Effective January 1, 2009, the Company adopted newly revised SFAS No. 10 "Inventories". The adoption of this new accounting principle did not have material effect on the financial statements as of and for the year ended December 31, 2009.

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ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

4 Cash and Cash in Banks

Cash and cash in banks as of December 31, 2010 and 2009, consisted of the following:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|-----------------------------|--------------------------|-----------------------|
| Cash on hand and petty cash | \$ 3,120 | 2,997 |
| Cash in bank | <u>136,291</u> | <u>168,536</u> |
| | \$ <u>139,411</u> | <u>171,533</u> |

Cash in bank was not pledged or mortgaged to secure bank loans.

5 Financial Assets and Liabilities at Fair Value through Profit or Loss

As of December 31, 2010 and 2009, the financial assets and liabilities at fair value through profit or loss were as follows:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|--|-------------------------|---------------------|
| Financial assets and liabilities at fair value through profit or loss: | | |
| Trading financial assets: | | |
| Stock traded on OTC—Jintex | \$ 1,181 | - |
| Forward exchange contracts | <u>16,071</u> | <u>4,732</u> |
| | \$ <u>17,252</u> | <u>4,732</u> |

For the years ended December 31, 2010 and 2009, the changes in fair value related to financial assets and liabilities at fair value through profit or loss recognized in earnings were as follows:

| | <u>2010</u> | | <u>Total</u> |
|--|--------------------------|-----------------------------------|----------------------|
| | <u>Realized Gain</u> | <u>Unrealized (Loss) Gain</u> | |
| Financial assets and liabilities at fair value through profit or loss: | | | |
| Trading financial assets: | | | |
| Stock | \$ 1,141 | (267) | 874 |
| Forward exchange contracts | <u>41,677</u> | <u>16,071</u> | <u>57,748</u> |
| | \$ <u>42,818</u> | <u>15,804</u> | <u>58,622</u> |

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ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

| | <u>2009</u> | | |
|--|--------------------------|-----------------------------------|--------------|
| | <u>Realized Gain</u> | <u>Unrealized (Loss) Gain</u> | <u>Total</u> |
| Financial assets and liabilities at fair value through profit or loss: | | | |
| Trading financial assets: | | | |
| Forward exchange contracts | \$ <u>76</u> | <u>4,732</u> | <u>4,808</u> |

Derivative contracts of the Company with several banks were intended to manage foreign currency exchange and interest rate risks from operating, financing, and investing activities. As of December 31, 2010 and 2009, derivative financial instruments not qualified for hedge accounting were as follows:

| | <u>2010.12.31</u> | | |
|------------------------------------|--|--------------------|--------------------|
| | <u>Nominal Amount (in thousands)</u> | <u>Currency</u> | <u>Expiry Date</u> |
| Foreign currency forward contracts | USD <u>17,000</u> | NTD Put / USD Call | 100.2.21~100.5.25 |

| | <u>2009.12.31</u> | | |
|------------------------------------|--|--------------------|--------------------|
| | <u>Nominal Amount (in thousands)</u> | <u>Currency</u> | <u>Expiry Date</u> |
| Foreign currency forward contracts | USD <u>40,500</u> | NTD Put / USD Call | 99.1.13~99.7.21 |

Financial assets and liabilities at fair value through profit or loss were not pledged or mortgaged to secure bank loans.

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

6 Notes and Accounts Receivable, Net

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|---------------------------------------|----------------------------|-----------------------|
| Notes receivable | \$ 4,539 | 10,064 |
| Less: allowance for doubtful accounts | <u>(846)</u> | <u>(846)</u> |
| Notes receivable, net | <u><u>3,693</u></u> | <u><u>9,218</u></u> |
| Accounts receivable | 1,072,001 | 833,874 |
| Less: allowance for doubtful accounts | <u>(14,857)</u> | <u>(7,857)</u> |
| Accounts receivable, net | <u><u>\$ 1,057,144</u></u> | <u><u>826,017</u></u> |

The Company entered into factoring contracts with several banks to sell accounts receivable of certain customers without recourse. Under these contracts, the Company does not guarantee the performance of the debtor within the factoring limit. The Company receives payment in advance at a contracted percentage and pays interest at an agreed rate, and the remaining accounts receivable will be paid when the bank receives payment from the customers. In addition, the Company should pay service fees at an agreed rate. The bank insured 90% of accounts receivable. If the customers default, the insurance company will make payment within the amount of insurance coverage 90~180 days after the due date. For the years ended December 31, 2010 and 2009, the unexpired factored accounts receivable were not received in advance.

7 Inventories

As of December 31, 2010 and 2009, the components of inventories were as follows:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|----------------------------------|----------------------------|-----------------------|
| Finished goods | \$ 12,626 | 10,092 |
| Less: provision for obsolescence | <u>-</u> | <u>-</u> |
| Sub-total | <u>12,626</u> | <u>10,092</u> |
| Work in process | 344,128 | 229,781 |
| Less: provision for obsolescence | <u>(9,584)</u> | <u>(5,571)</u> |
| Sub-total | <u>334,544</u> | <u>224,210</u> |
| Raw materials | 817,304 | 496,764 |
| Less: provision for obsolescence | <u>(8,269)</u> | <u>(2,282)</u> |
| Sub-total | <u>809,035</u> | <u>494,482</u> |
| Supplies | 85,801 | 63,343 |
| Less: provision for obsolescence | <u>-</u> | <u>-</u> |
| Sub-total | <u>85,801</u> | <u>63,343</u> |
| | <u><u>\$ 1,242,006</u></u> | <u><u>792,127</u></u> |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

The recognized losses on inventories for the years ended December 31, 2010 and 2009, were as follows:

| | <u>2010</u> | <u>2009</u> |
|--|------------------|-------------|
| Loss on obsolescence or devaluation of inventories | \$ 10,000 | - |
| Loss on inventory shortage | <u>527</u> | <u>-</u> |
| | <u>\$ 10,527</u> | <u>-</u> |

For the years ended December 31, 2010 and 2009, the Company recognized loss on inventories of \$10,000 and \$0, respectively, from write-down of the book value of inventories for the difference between cost and net realizable value.

Inventories were not pledged or mortgaged to secure bank loans.

8 Long-term Equity Investments

(a) Investments as of December 31, 2010 and 2009, consisted of the following:

| Investee | 2010.12.31 | | | 2009.12.31 | | |
|---|---------------------|-----------------------|-------------------------------|------------------|-----------------------|-------------------------------|
| | <u>Amount</u> | <u>% of ownership</u> | <u>Investment gain (loss)</u> | <u>Amount</u> | <u>% of ownership</u> | <u>Investment gain (loss)</u> |
| Under equity method: | | | | | | |
| Being Long Enterprise Co., Ltd. | \$ 514,902 | 100.00% | 78,507 | 477,466 | 100.00% | 45,667 |
| Best Information Technology Co., Ltd. | 12,325 | 59.05% | 3,340 | 8,985 | 59.05% | 2,077 |
| Eclat Cayman Islands Holdings | 1,069,202 | 100.00% | 39,642 | 559,653 | 100.00% | (238,115) |
| Grand Elite Holdings Inc. | <u>119,006</u> | 100.00% | <u>5,489</u> | <u>113,516</u> | 100.00% | <u>3,383</u> |
| | <u>1,715,435</u> | | <u>126,978</u> | <u>1,159,620</u> | | <u>(186,988)</u> |
| Cumulative translation adjustments: | | | | | | |
| Best Information Technology Co., Ltd. | (503) | | | (345) | | |
| Eclat Cayman Islands Holdings | (54,541) | | | (87,207) | | |
| Grand Elite Holdings Inc. | <u>(20,277)</u> | | | <u>(10,607)</u> | | |
| | <u>(75,321)</u> | | | <u>(98,159)</u> | | |
| Cumulative translation adjustments, net | \$ <u>1,640,114</u> | | | <u>1,061,461</u> | | |

(b) The Company approved a resolution to participate in the cash injection of Eclat Fabrics (Vietnam) and invested USD 11,000 thousand through subsidiary Eclat Cayman Islands Holdings. The related registration process was completed.

(c) In order to complete the vertical integration, increase overseas production capacity, and lower production costs, the Company indirectly invested in E-TOP Co., Ltd. (Vietnam) through subsidiary Eclat Cayman Islands Holdings. During the year 2010, the Company invested capital amounting to USD 1,500 thousand in the Vietnam investee company.

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

- (d) The Company acquired Colltex Garment MFY Co., Ltd. (VN) through subsidiary Eclat Cayman Islands Holdings. Under the purchase contract, the purchase price was USD 2,400 thousand, and the transfer date was November 15, 2010. The related registration process was completed.
- (e) The board of directors of Being Long Enterprise Co., Ltd. approved a resolution to declare cash dividends of \$41,071 and \$16,204 in March 2010 and 2009, respectively. The Company accounted for it as a reduction of long-term equity investment.
- (f) Long-term equity investment was not pledged or mortgaged to secure bank loans.

9 Financial Assets Carried at Cost

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|---------------------------------|-------------------|-------------------|
| Privately held - ANKL Co., Ltd. | | |
| Acquisition cost | \$ 7,569 | 7,569 |
| Accumulated impairment | <u>(7,569)</u> | <u>(7,569)</u> |
| | \$ <u>-</u> | <u>-</u> |

Since there is no directly observable price in an active market, the fair value cannot be reliably measured; financial assets carried at cost held by the Company are measured at cost.

The Company invested \$7,569 in ANKL Co., Ltd. As the shareholding is less than 20%, the Company reclassified the investment from equity method to cost method.

Considering ANKL could not show a turn from loss to profit in the short term, the Company recognized impairment loss of \$7,569 in 2009.

None of the financial assets were pledged as of December 31, 2010 and 2009.

10 Property, Plant and Equipment

Please refer to note 21 for assets pledged as collateral for loans as of December 31, 2010 and 2009.

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

11 Intangible Assets

As of December 31, 2010 and 2009, the original cost and cumulative amortization of intangible assets were as follows:

| Original cost | <u>Software cost</u> |
|--------------------------------|-----------------------------|
| Balance at January1, 2009 | \$ 51,686 |
| Additions | 229 |
| Amortization completed | <u>(5,893)</u> |
| Balance at December 31, 2009 | <u>\$ 46,022</u> |
| Balance at January1, 2010 | \$ 46,022 |
| Additions | 2,176 |
| Amortization completed | <u>(43,417)</u> |
| Balance at December 31, 2010 | <u>\$ 4,781</u> |
| Cumulative amortization | |
| Balance at January1, 2009 | \$ 37,236 |
| Amortization | 11,666 |
| Amortization completed | <u>(5,893)</u> |
| Balance at December 31, 2009 | <u>\$ 43,009</u> |
| Balance at January1, 2010 | \$ 43,009 |
| Amortization | 1,993 |
| Amortization completed | <u>(43,417)</u> |
| Balance at December 31, 2010 | <u>1,585</u> |
| Book value | |
| Balance at January 1, 2009 | <u>\$ 14,450</u> |
| Balance at December 31, 2009 | <u>\$ 3,013</u> |
| Balance at January 1, 2010 | <u>\$ 3,013</u> |
| Balance at December 31, 2010 | <u>\$ 3,196</u> |

The Company amortized intangible assets in the amount of \$1,993 and \$11,666 as operating expenses and operating costs according to the usage of each department for the years ended December 31, 2010 and 2009, respectively.

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

12 Deferred Charges

The components of deferred charges as of December 31, 2010 and 2009, were as follows:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|---|-------------------|-------------------|
| Air conditioning equipment and safety equipment | \$ 786 | 1,221 |
| Deferred maintenance and improvement costs and others | 6,358 | 1,635 |
| Deferred maintenance costs of buildings and equipment | <u>392</u> | <u>565</u> |
| | <u>\$ 7,536</u> | <u>3,421</u> |

13 Short-term Borrowings

Short-term borrowings as of December 31, 2010 and 2009, consisted of the following:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|-------------------------|--------------------|-------------------|
| Secured bank loans | \$ 350,000 | - |
| Credit loans | <u>20,000</u> | <u>-</u> |
| | <u>\$ 370,000</u> | <u>-</u> |
| Range of interest rates | <u>1.30%~1.32%</u> | <u>-</u> |

As of December 31, 2010 and 2009, unused credit lines available amounted to \$402,412 and \$861,700, respectively.

The Company's assets listed in note 21 secured the above borrowings.

14 Long-term Borrowings

Long-term borrowings as of December 31, 2010 and 2009, consisted of the following:

| <u>Creditor Bank</u> | <u>Repayment Period</u> | <u>Mortgage</u> | <u>2010.12.31</u> | | <u>2009.12.31</u> | |
|----------------------|---|-------------------------------|-------------------|----------------------|-------------------|----------------------|
| | | | <u>Amount</u> | <u>Interest Rate</u> | <u>Amount</u> | <u>Interest Rate</u> |
| HuaNan Bank | December 19, 2010~December 29, 2012. The principal is to be repaid at maturity. | Land and plant (Secured loan) | \$ 50,000 | 1.45% | - | - |
| ShangHai Bank | December 28, 2010~December 28, 2012. The principal is to be repaid at maturity. | Land and plant (Secured loan) | 50,000 | 1.45% | - | - |
| | | | <u>\$ 100,000</u> | | <u>-</u> | |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

Please refer to the note 13 for the available unused credit lines, and note 21 for the pledged assets for borrowings.

As of December 31, 2010, the future payments for the long-term borrowings referred to above were as follows:

| <u>Period</u> | <u>Amount</u> |
|-----------------------|--------------------------|
| 2011.01.01~2011.12.31 | \$ - |
| 2012.01.01~2012.12.31 | <u>100,000</u> |
| | <u>\$ 100,000</u> |

15 Pension Plans

The pension information for the years ended December 31, 2010 and 2009, was as follows:

| | <u>2010</u> | <u>2009</u> |
|--------------------------------------|------------------|---------------|
| Balance of retirement fund | \$ <u>45,520</u> | <u>42,440</u> |
| Periodic pension cost: | | |
| Defined benefit retirement plan | \$ <u>8,265</u> | <u>7,094</u> |
| Defined contribution retirement plan | \$ <u>17,460</u> | <u>16,557</u> |
| Balance of accrued pension liability | | |
| Accrued expenses | \$ <u>3,565</u> | <u>3,323</u> |
| Accrued pension liability | \$ <u>97,100</u> | <u>92,655</u> |

The funded status was reconciled to accrued pension liability as of December 31, 2010 and 2009, as follows:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|--|---------------------------|------------------------|
| Benefit obligation: | | |
| Vested benefit obligation | \$ (46,750) | (43,012) |
| Non-vested benefit obligation | <u>(93,044)</u> | <u>(84,383)</u> |
| Accumulated benefit obligation | (139,794) | (127,395) |
| Projected compensation increases | <u>(69,305)</u> | <u>(38,591)</u> |
| Projected benefit obligation | (209,099) | (165,986) |
| Plan assets at fair value | <u>45,838</u> | <u>42,765</u> |
| Funded status | (163,261) | (123,221) |
| Unrecognized pension loss | 65,312 | 28,872 |
| Unrecognized transitional net benefit obligation | <u>849</u> | <u>1,694</u> |
| Accrued pension liabilities | <u>\$ (97,100)</u> | <u>(92,655)</u> |

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

The components of the net periodic pension cost for 2010 and 2009 were as follows:

| | <u>2010</u> | <u>2009</u> |
|------------------------------|-----------------|--------------|
| Service cost | \$ 3,969 | 3,689 |
| Interest cost | 3,720 | 3,789 |
| Actual return on plan assets | (700) | (272) |
| Amortization and deferral | <u>1,276</u> | <u>(112)</u> |
| Net periodic pension cost | <u>\$ 8,265</u> | <u>7,094</u> |

The balance of vested benefits calculated based on the Company's pension plan totaled \$57,442 and \$56,484 as of December 31, 2010 and 2009, respectively.

Major assumptions used to determine the above amounts were as follows:

| | <u>2010</u> | <u>2009</u> |
|--|-------------|-------------|
| Discount rate | 1.75% | 2.25% |
| Rate of increase in future compensation levels | 3.00% | 2.00% |
| Expected long-term rate of return on plan assets | 1.75% | 2.25% |

16 Income Tax

According to the revised ROC Income Tax Act which was announced on June 15, 2010, the statutory corporate income tax rate reduced to 17% in 2010. Hence, the Company is subject to income tax at the rate of 17% and 25% in 2010 and 2009, respectively.

The components of income tax were as follows:

| | <u>2010</u> | <u>2009</u> |
|-----------------------------|-------------------|----------------|
| Current income tax expense | \$ 156,285 | 206,957 |
| Deferred income tax benefit | <u>(19,662)</u> | <u>(4,311)</u> |
| Income tax expense | <u>\$ 136,623</u> | <u>202,646</u> |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

The deferred income tax benefit in 2010 and 2009 consisted of the following:

| | <u>2010</u> | <u>2009</u> |
|--|--------------------|----------------|
| Reserve for overseas investment losses | \$ (5,995) | - |
| Unrealized foreign exchange losses | (7,620) | (1,141) |
| Investment gain (loss) under equity method | 8,240 | (54,611) |
| Pension in excess of tax limit | (755) | (638) |
| Unrealized gain on financial assets appraisal | 1,882 | 946 |
| Change in valuation allowance for deferred income tax assets | (8,240) | 56,125 |
| Impairment loss | - | (1,514) |
| Loss on inventory valuation | (1,700) | - |
| Deferred income tax effect of change in income tax rate | (1,962) | (3,478) |
| Allowance for doubtful account | (3,512) | - |
| Deferred income tax benefit | <u>\$ (19,662)</u> | <u>(4,311)</u> |

For the years ended December 31, 2010 and 2009, differences between the "expected" income tax expense computed at statutory rates and the "estimated" income tax expense were as follows:

| | <u>2010</u> | <u>2009</u> |
|--|-------------------|----------------|
| Estimated income tax expenses | \$ 153,058 | 144,868 |
| Adjustment of estimated deferred income tax assets | (8,240) | 56,125 |
| Estimated adjustment for prior year's income tax expense | 171 | 14,162 |
| 10% surtax on undistributed earnings | 2,888 | 3,978 |
| Difference between estimated and authorized income tax expense | 3,563 | - |
| Investment tax credits | - | (6,139) |
| Effect of change in income tax rate | (1,962) | 10,763 |
| Other adjustment based on income tax regulation | (12,855) | (21,111) |
| Income tax expense | <u>\$ 136,623</u> | <u>202,646</u> |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

The components of deferred income tax assets (liabilities) as of December 31, 2010 and 2009 were as follows:

| | <u>2010.12.31</u> | | <u>2009.12.31</u> | |
|--|-------------------|-------------------|-------------------|-------------------|
| | <u>Amount</u> | <u>Tax effect</u> | <u>Amount</u> | <u>Tax effect</u> |
| Deferred income tax assets – current | | | | |
| Unrealized foreign exchange loss | \$ 56,340 | 9,578 | 11,517 | 2,303 |
| Deferred income tax liabilities – current | | | | |
| Valuation gain on financial liabilities | (15,804) | (2,687) | (4,732) | (946) |
| Net deferred income tax assets – current | | <u>\$ 6,891</u> | | <u>1,357</u> |
| Deferred income tax assets – non-current | | | | |
| Allowance for doubtful accounts in excess of tax limit | \$ 21,740 | 3,696 | 1,079 | 216 |
| Provision for inventory obsolescence | 17,853 | 3,035 | 7,853 | 1,571 |
| Pension in excess of tax limit | 97,100 | 16,507 | 92,655 | 18,531 |
| Investment loss – equity method | 520,694 | 88,518 | 569,165 | 113,833 |
| Impairment loss | 7,569 | 1,287 | 7,569 | 1,514 |
| Cumulative translation adjustment | 75,321 | 12,805 | 98,160 | 19,632 |
| Valuation allowance | | (89,805) | | (115,347) |
| Net deferred income tax assets – non-current | | <u>36,043</u> | | <u>39,950</u> |
| Deferred income tax liabilities – non-current | | | | |
| Reserve for overseas investment losses | (138,497) | (23,545) | (173,763) | (34,753) |
| Net deferred income tax assets (liabilities) – non-current | | <u>\$ 12,498</u> | | <u>5,197</u> |

In accordance with Section 12 of the Statute for Upgrading Industries, the Company recognizes provision for foreign investment loss as current expense during the year when the investment is made. The recognized amount is 20% of the total foreign investment if the percentage of shares owned by the Company is no less than 50%. If there is no investment loss realized during the next five years, the recognized provision for foreign investment loss will be transferred to revenues in the fifth year. The details were as follows:

| <u>Investment year</u> | <u>Provision for investment loss</u> | <u>Year of reversal</u> |
|------------------------|--------------------------------------|-------------------------|
| 2008 | \$ <u>138,497</u> | 2012 |

The Company's income tax returns have been examined by the ROC tax authorities through 2008.

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

As of the December 31, 2010 and 2009, the undistributed earnings were as follows:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|---|---------------------|-------------------|
| Before 1997 | \$ 430 | 430 |
| After 1998 | <u>1,052,712</u> | <u>636,979</u> |
| | <u>\$ 1,053,142</u> | <u>637,409</u> |
| Balance of imputation credit account (ICA) | <u>\$ 219,187</u> | <u>128,471</u> |
| | <u>2010</u> | <u>2009</u> |
| | <u>(estimated)</u> | <u>(actual)</u> |
| Creditable ratio for earnings distribution to domestic stockholders | <u>24.16%</u> | <u>39.38%</u> |

17 Stockholders' Equity

(a) Common stock

At the stockholders' meetings on June 15, 2010, and June 16, 2009, the shareholders approved a resolution to increase the Company's capital stock by capitalizing retained earnings of \$58,044 and \$37,938, respectively, through issuance of 5,804 thousand shares and 3,794 thousand shares, respectively, with par value of \$10 dollars per share. The capital increase dates were September 17, 2010, and September 2, 2009, respectively. The related registration processes were completed.

As of December 31, 2010 and 2009, the Company's total authorized share capital amounted to \$2,500,000, and the total issued common stock amounted to 199,285 thousand shares and 193,480 thousand shares, respectively, with \$10 dollars par value per share.

(b) Capital surplus

As of December 31, 2010 and 2009, capital surplus was as follows:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|--|-------------------|-------------------|
| Paid-in capital in excess of par value | \$ 270,000 | 270,000 |
| Treasury stock | 396 | 396 |
| Compensation due to directors and supervisors | 1,377 | 1,377 |
| Net assets from merger with Everbright Garment | 15,866 | 15,866 |
| Long-term equity investment | <u>6,039</u> | <u>6,039</u> |
| | <u>\$ 293,678</u> | <u>293,678</u> |

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

The ROC Company Act stipulates that capital surplus can only be used to offset a deficit and that only realized capital surplus can be used to increase share capital. The realized capital surplus is limited to capital surplus generated from paid-in capital in excess of par value, donated assets, and treasury stock transactions. According to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the total sum of capital reserves capitalized per annum may not exceed 10 percent of the paid-in capital.

(c) Legal reserve

The ROC Company Act stipulates that companies, when allocating surplus profits after having paid all taxes and dues, shall first set aside ten percent of said profits as legal reserve. When such legal reserve amounts to the total authorized capital, this provision shall not apply.

The legal reserve may be used to offset an accumulated deficit and cannot be distributed as cash dividends to stockholders. However, up to one-half of the balance of legal reserve can be converted to share capital upon approval at a stockholders' meeting if the balance of legal reserve reaches one-half of the issued share capital.

(d) Retained earnings, and distributions of dividends and bonus

According to the Company's articles of incorporation, 10% of annual net earnings (net of income taxes), after deducting accumulated deficits, must be set aside as legal reserve. The remaining portion is to be distributed upon a proposal by the board of directors and approval in a regular stockholders' meeting, with employees' bonus of not less than 0.1%.

The Company is now in the growth stage and has a plan to expand the product line. Due to the need for capital to fulfill the plan, the policy for dividend distribution should reflect factors such as investment planning, financial structure, future fund requirements, and status of earnings. The board of directors shall make the distribution proposal, and it is then approved at the shareholders' meeting. The ratio for distributing cash dividends shall not be lower than 20% of the total distribution.

For the years ended December 31, 2010 and 2009, the employees' bonus amounted to \$519 and \$252, respectively. Abovementioned amounts were estimated according to the Company's articles of incorporation. According to the articles, the Company provides 0.1% of net income for employees' bonus.

If the actual distributed amount approved thereafter by the stockholders' meeting is different from the estimate, the difference is treated as a change in accounting estimate, and is charged to profit or loss for the year.

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

In the stockholders' meetings held on June 15, 2010, and June 16, 2009, the Company decided the distribution of 2009 and 2008 earnings. The information on employees' bonus distribution and earnings per share is as follows:

| | <u>2009</u> | <u>2008</u> |
|-------------------------------|---------------|-------------|
| Employees' bonus— cash | \$ <u>252</u> | <u>114</u> |

The appropriation of earnings did not differ from the resolutions approved by the board of directors.

The appropriation of the Company's 2010 earnings is subject to a resolution approved by the board of directors and the stockholders' during their regular meetings. Following the approval of those resolutions, related information can be obtained from the Market Observation Post System website of the Taiwan Stock Exchange.

18 Earnings per Share

As of December 31, 2010 and 2009, the weighted-average number of outstanding shares of common stock and the common stock equivalents for calculating the basic EPS consisted of the following:

| | <u>2010</u> | | | | |
|--------------------------|---------------------------|--------------------------|--|---------------------------|--------------------------|
| | <u>Amount</u> | | Weighted- average number of outstanding shares of common stock (in thousands) | <u>EPS (in dollars)</u> | |
| | Before income taxes | After income taxes | | Before income taxes | After income taxes |
| Basic EPS: Net income | \$ <u>900,340</u> | <u>763,717</u> | 199,285 | <u>4.52</u> | <u>3.83</u> |
| | <u>2009</u> | | | | |
| | <u>Amount</u> | | Weighted- average number of outstanding shares of common stock (in thousands) | <u>EPS (in dollars)</u> | |
| | Before income taxes | After income taxes | | Before income taxes | After income taxes |
| | Basic EPS: Net income | \$ <u>579,512</u> | <u>376,866</u> | 199,285 | <u>2.91</u> |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

19 Disclosure of Financial Instruments

(a) Fair value of financial instruments

As of December 31, 2010 and 2009, financial assets and liabilities of the Company evaluated at fair value were as follows:

| | 2010.12.31 | | | 2009.12.31 | | |
|--|------------|--------------------|------------------------|------------|--------------------|------------------------|
| | Book value | Public quote value | Valuation method value | Book value | Public quote value | Valuation method value |
| Non-derivative financial instruments: | | | | | | |
| Financial assets | | | | | | |
| Cash and cash in bank | \$ 139,411 | 139,411 | - | 171,533 | 171,533 | - |
| Notes and accounts receivable (including related parties) | 1,071,899 | - | 1,071,899 | 836,844 | - | 836,844 |
| Other financial assets | 25,706 | - | 25,706 | 9,012 | - | 9,012 |
| Other receivable – related parties | 203,910 | - | 203,910 | 191,940 | - | 191,940 |
| Financial assets reported at fair value through profit or loss – stocks | 1,181 | 1,181 | - | - | - | - |
| Financial assets reported at fair value through profit or loss – Foreign currency forward contract | 16,071 | - | 16,071 | 4,732 | - | 4,732 |
| Financial liabilities | | | | | | |
| Short-term borrowings | \$ 370,000 | - | 370,000 | - | - | - |
| Notes and accounts payable (including related parties) | 719,318 | - | 719,318 | 536,600 | - | 536,600 |
| Long-term borrowings | 100,000 | - | 100,000 | - | - | - |
| Other payables | 42,844 | - | 42,844 | 3,106 | - | 3,106 |
| Deposits received | 65,951 | - | - | 190 | - | - |

(b) Assumptions and methods the Company used to evaluate the fair market value of financial instruments

- (i) The book value of short-term financial instruments including cash, cash in bank, notes and accounts receivable/payable (including related parties), other financial assets, other receivable-related parties, short-term loans and other payables, is believed to be not materially different from the fair value because the maturity dates of these short-term financial instruments are within one year from the balance sheet date.

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

- (ii) If public quotes for financial assets and liabilities are available, then the quotes are adopted as the fair value. If public quotes are not available, an assessment method will be used. The assumptions used are the same as those used by financial market traders when quoting their prices.
 - (iii) For long-term borrowings, the interest rate is close to the market interest rate, and the book value is considered to be the fair value.
 - (iv) Deposits are received in cash, so the fair value should be equal to the book value.
- (c) Disclosure of financial risks

(i) Market risk

The Company uses statistical analysis to assess the market price risk of forward exchange contracts based on historical information and market trends. Market risk represents the accounting loss that would be recognized on the reporting date for derivative financial instruments due to changes in market interest rates or foreign exchange rates. As the Company's derivative financial instruments are mainly for hedging purposes, the hedged items will offset the gains or losses from changes in interest rates or foreign exchange rates. As a result, market price risk is considered low.

(ii) Concentrations of credit risk

Credit risk is the risk that the counter-party will default on its obligation. The banks that the Company entered into derivative transactions with are all well-known financial institutions. Therefore, the Company does not expect the banks to default. As a result, the Company estimates credit risk to be reasonably low.

(iii) Liquidity risk

Because the hedge-purpose forward contracts will offset the Company's cash flow, there is no significant influence on the Company's cash flow; therefore, the Company has no risk associated with funding working capital. Also, the interest rates of forward exchange contracts are settled. As a result, the Company estimates cash flow risk to be reasonably low.

(iv) Cash flow risk related to the fluctuation of interest rates

The Company's short-term borrowings and long-term borrowings bear floating interest rates. The changes in effective rate along with the fluctuation of the market interest rate influence the Company's future cash flow. If the market interest rate increases by 1%, the Company's future yearly cash outflow would increase by approximately NT\$2,287.

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements****20 Transactions with Related Parties**

(a) Names of and relationship with related parties

| <u>Name of related party</u> | <u>Relationship with the Company</u> |
|--|--|
| Best Information Technology Co., Ltd. (Best Information Technology) | A 59.05%-owned subsidiary of the Company |
| Being Long Enterprise Co., Ltd. (Being Long) | A 100%-owned subsidiary of the Company |
| Eclat Textile Co., Ltd. (Vietnam) (Eclat Vietnam) | A 100%-owned subsidiary of an indirectly held investment |
| Unison (Wuxi) Textile and Garment Inc. (Unison) | A 100%-owned subsidiary of an indirectly held investment |
| Eclat Fabrics (Vietnam) Co., Ltd. (Fabrics) | A 100%-owned subsidiary of an indirectly held investment |
| Grand Elite Holdings Inc. (Elite) | A 100%-owned subsidiary of the Company |
| Eclat Cayman Islands Holdings (Eclat Cayman) | A 100%-owned subsidiary of the Company |
| Colltex Garment MFY Co., Ltd. (VN) (Colltex) | A 100%-owned subsidiary of an indirectly held investment |
| Directors, supervisors, general manager and vice general manager | Main management |

(b) Significant transactions with related parties

(i) Sales, notes receivable, and accounts receivable

Sales to related parties for the years ended December 31, 2010 and 2009, were as follows:

| | <u>2010</u> | | <u>2009</u> | |
|------------|------------------|------------------------------------|---------------|------------------------------------|
| | <u>Amount</u> | <u>Percentage of net sales</u> | <u>Amount</u> | <u>Percentage of net sales</u> |
| Being Long | \$ 8,554 | 0.10 | 6,030 | 0.10 |
| Fabrics | 42,297 | 0.50 | 1,940 | 0.03 |
| | <u>\$ 50,851</u> | <u>0.60</u> | <u>7,970</u> | <u>0.13</u> |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

As of December 31, 2010 and 2009, receivables from related parties resulting from sales transactions were as follows:

| | <u>2010.12.31</u> | | <u>2009.12.31</u> | |
|----------------------|-------------------|--------------------------------------|-------------------|--------------------------------------|
| | <u>Amount</u> | <u>Percentage of the account</u> | <u>Amount</u> | <u>Percentage of the account</u> |
| Accounts receivable: | | | | |
| Being Long | \$ 1,844 | 0.17 | 435 | 0.05 |
| Fabrics | <u>8,629</u> | <u>0.79</u> | <u>464</u> | <u>0.06</u> |
| | <u>\$ 10,473</u> | <u>0.96</u> | <u>899</u> | <u>0.11</u> |
| Notes receivable: | | | | |
| Being Long | <u>\$ 589</u> | <u>0.05</u> | <u>710</u> | <u>0.08</u> |

Sales prices and terms for related parties do not significantly differ from those for non-related parties.

(ii) Purchases, outsourcing, notes payable and accounts payable

The Company's purchases from related parties in 2010 and 2009 was as follows:

| | <u>2010</u> | | <u>2009</u> | |
|------------|-------------------|--|---------------|--|
| | <u>Amount</u> | <u>Percentage of total purchases</u> | <u>Amount</u> | <u>Percentage of total purchases</u> |
| Being Long | \$ 7,966 | 0.19 | 5,916 | 0.24 |
| Fabrics | <u>654,924</u> | <u>15.32</u> | <u>92,259</u> | <u>3.78</u> |
| | <u>\$ 662,890</u> | <u>15.51</u> | <u>98,175</u> | <u>4.02</u> |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

The Company's outsourcing expenditures for related parties in 2010 and 2009 were as follows:

| | <u>2010</u> | | <u>2009</u> | |
|---------------|---------------------|---|------------------|---|
| | <u>Amount</u> | <u>Percentage of total outsourcing expenditures</u> | <u>Amount</u> | <u>Percentage of total outsourcing expenditures</u> |
| Being Long | \$ 879,375 | 34.71 | 760,079 | 42.21 |
| Unison | 225,678 | 8.91 | 148,259 | 8.23 |
| Eclat Vietnam | 425,856 | 16.81 | 253,881 | 14.10 |
| Fabrics | <u>312</u> | <u>0.01</u> | <u>3,997</u> | <u>0.22</u> |
| | <u>\$ 1,531,221</u> | <u>60.44</u> | <u>1,166,216</u> | <u>64.76</u> |

As of December 31, 2010 and 2009, payables to related parties resulting from the above transactions were as follows:

| | <u>2010.12.31</u> | | <u>2009.12.31</u> | |
|-------------------|-------------------|----------------------------------|-------------------|----------------------------------|
| | <u>Amount</u> | <u>Percentage of the account</u> | <u>Amount</u> | <u>Percentage of the account</u> |
| Notes payable: | | | | |
| Being Long | \$ <u>108,012</u> | <u>15.02</u> | <u>60,519</u> | <u>11.28</u> |
| Accounts payable: | | | | |
| Being Long | \$ 68,720 | 9.55 | 72,460 | 13.50 |
| Unison | 19,021 | 2.64 | 10,672 | 1.99 |
| Eclat Vietnam | 27,042 | 3.76 | 19,560 | 3.65 |
| Fabrics | <u>43,412</u> | <u>6.04</u> | <u>24,155</u> | <u>4.50</u> |
| | <u>\$ 158,195</u> | <u>21.99</u> | <u>126,847</u> | <u>23.64</u> |

Purchase prices and outsourcing expenditure prices and terms for related parties do not significantly differ from those for non-related parties.

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

(iii) Financing transactions

Lending to related parties in 2010 and 2009 was as follows:

| 2010 | | | | | | |
|---------------|--|----------------------------|----------------------|---------------------------|-------------------------------|--------------------------------|
| | <u>Date of maximum balance</u> | <u>Maximum balance</u> | <u>Interest rate</u> | <u>Ending balance</u> | <u>Amount of interest</u> | <u>Interest receivable</u> |
| Eclat Vietnam | April 2010 | \$ 58,260 | 2.5% | 58,260 | 1,382 | 427 |
| Fabrics | January 2010 | <u>145,650</u> | 2.5%~2.8% | <u>145,650</u> | <u>3,942</u> | <u>902</u> |
| | | <u>\$ 203,910</u> | | <u>203,910</u> | <u>5,324</u> | <u>1,329</u> |
| 2009 | | | | | | |
| | <u>Date of maximum balance</u> | <u>Maximum balance</u> | <u>Interest rate</u> | <u>Ending balance</u> | <u>Amount of interest</u> | <u>Interest receivable</u> |
| Eclat Vietnam | January 2009 | \$ 31,990 | 2.2%~3.0% | 31,990 | 794 | 202 |
| Fabrics | June 2009 | <u>159,950</u> | 2.2%~2.8% | <u>159,950</u> | <u>3,237</u> | <u>1,449</u> |
| | | <u>\$ 191,940</u> | | <u>191,940</u> | <u>4,031</u> | <u>1,651</u> |

(iv) Leasing

Rent revenue from related parties is summarized as follows:

| | <u>Rent revenue</u> | | <u>Lease objective</u> |
|-----------------------------|---------------------|--------------|-------------------------|
| | <u>2010</u> | <u>2009</u> | |
| Best Information Technology | \$ <u>300</u> | <u>300</u> | Chang An E. Road office |
| Being Long | \$ <u>120</u> | <u>120</u> | Chang An E. Road office |
| Being Long | \$ <u>1,189</u> | <u>1,189</u> | Machinery & equipment |

As of December 31, 2010 and 2009, the above-mentioned rent revenues were received in full.

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

(v) Service fees

The Company's purchases of computers from related parties and the maintenance of software in 2010 and 2009 were as follows:

| | Purchases of computers & maintenance of software | |
|-----------------------------|---|--------------------|
| | <u>2010</u> | <u>2009</u> |
| Best Information Technology | \$ <u>320</u> | <u>366</u> |

(vi) Payment on behalf of others

The Company paid certain expenses on behalf of related parties. As of December 31, 2010 and 2009, the related outstanding receivables, accounted for as other financial assets, were as follows:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|---------------|--------------------------|--------------------------|
| Being Long | \$ 74 | 14 |
| Eclat Vietnam | 2,758 | 2,290 |
| Fabrics | 1,261 | 1,231 |
| Colltex | <u>312</u> | <u>-</u> |
| | \$ <u>4,405</u> | <u>3,535</u> |

For the years ended December 31, 2010 and 2009, payments by related parties on behalf of the Company, accounted for as other payables, were as follows:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|---------------|--------------------------|--------------------------|
| Eclat Vietnam | \$ 25 | 280 |
| Elite | - | 2,544 |
| Unison | 466 | - |
| Eclat Cayman | <u>33,334</u> | <u>-</u> |
| | \$ <u>33,825</u> | <u>2,824</u> |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

(vii) Guarantees and endorsements for other parties

The Company provided guarantees and endorsements for other parties. As of December 31, 2010 and 2009, they were as follows

| | <u>2010.12.31</u> | | <u>2009.12.31</u> | |
|---------------|--------------------------|-----------------------|--------------------------|-----------------------|
| | <u>Amount</u> | <u>New Taiwan</u> | <u>Amount</u> | <u>New Taiwan</u> |
| | <u>(in thousands)</u> | <u>dollars</u> | <u>(in thousands)</u> | <u>dollars</u> |
| Eclat Cayman | USD 16,400 | 477,732 | USD 10,400 | 332,696 |
| Eclat Vietnam | 3,000 | 87,390 | 3,000 | 95,970 |
| Elite | <u>1,700</u> | <u>49,521</u> | <u>1,700</u> | <u>54,383</u> |
| | USD <u>21,100</u> | <u>614,643</u> | USD <u>15,100</u> | <u>483,049</u> |

(viii) Compensation of board of directors, supervisors, and management personnel

For the years ended December 31, 2010 and 2009, the compensation of the board of directors, supervisors, general manager, and vice general manager was as follows:

| | <u>2010</u> | <u>2009</u> |
|----------------------|-------------------------|----------------------|
| Salaries | \$ 12,043 | 12,493 |
| Special compensation | 28,972 | 34,722 |
| Allowance | <u>680</u> | <u>690</u> |
| | \$ <u>41,695</u> | <u>47,905</u> |

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements****21 Collateral Assets**

As of December 31, 2010 and 2009, the net book values of assets pledged under debt agreements were as follows:

| | <u>2010.12.31</u> | <u>2009.12.31</u> |
|--------------------------------|--------------------------|-----------------------|
| Property, plant and equipment: | | |
| Land | \$ 327,695 | 208,669 |
| Buildings | <u>253,686</u> | <u>246,095</u> |
| | <u>581,381</u> | <u>454,764</u> |
| Other assets – land | <u>72,450</u> | <u>72,450</u> |
| Other assets – rental assets: | | |
| Land | 340 | 340 |
| Buildings | <u>727</u> | <u>745</u> |
| | <u>1,067</u> | <u>1,085</u> |
| | <u>\$ 654,898</u> | <u>528,299</u> |

22 Commitments and Contingencies

(a) As of December 31, 2010, the Company had outstanding letters of credit of approximately \$102,061.

(b) As of December 31, 2010, Eclat Cayman, Eclat Vietnam, and Elite had borrowed USD 16,400 thousand, USD 3,000 thousand, and USD 1,700 thousand, respectively, from banks. The Company served as guarantor.

23 Significant Disaster Loss: None**24 Significant Subsequent Events: None**

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

25 Others

- (a) Total personnel expenses, depreciation, and amortization incurred for the years ended December 31, 2010 and 2009, are summarized as follows:

| By item \ By function | 2010 | | | 2009 | | |
|-----------------------|-----------------|--------------------|---------|-----------------|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Personnel expenses | | | | | | |
| Salaries | 184,003 | 405,794 | 589,797 | 183,246 | 327,022 | 510,268 |
| Insurance | 12,906 | 23,879 | 36,785 | 12,689 | 21,949 | 34,638 |
| Pensions | 7,712 | 18,013 | 25,725 | 7,762 | 15,889 | 23,651 |
| Others | 2,838 | 3,908 | 6,746 | 3,132 | 2,793 | 5,925 |
| Sub-total | 207,459 | 451,594 | 659,053 | 206,829 | 367,653 | 574,482 |
| Depreciation | 27,829 | 19,581 | 47,410 | 33,314 | 17,260 | 50,574 |
| Amortization | 1,438 | 2,904 | 4,342 | 2,302 | 14,257 | 16,559 |
| Total | 236,726 | 474,079 | 710,805 | 242,445 | 399,170 | 641,615 |

Note: For each of the years ended December 31, 2010 and 2009, the estimate of the employees' bonus was accounted for as salaries.

- (b) Reclassifications

Certain accounts in the 2009 financial statements have been reclassified to conform to 2010 financial statement presentation for comparison purposes. These reclassifications do not have a significant impact on the financial statements.

- (c) The significant financial assets and liabilities denominated in foreign currencies were as follows:

| | 2010.12.31 | | | 2009.12.31 | | |
|--|------------------|---------------|--------------------|------------------|---------------|--------------------|
| | Foreign currency | Exchange rate | New Taiwan dollars | Foreign currency | Exchange rate | New Taiwan dollars |
| <u>Financial assets</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | 42,664 | 29.13 | 1,242,804 | 30,634 | 31.99 | 979,982 |
| <u>Financial liabilities</u> | | | | | | |
| <u>Monetary items</u> | | | | | | |
| USD | 9,495 | 29.13 | 276,589 | 7,267 | 31.99 | 232,471 |
| <u>Long-term investments under equity method</u> | | | | | | |
| USD | 38,676 | 29.13 | 1,126,632 | 18,200 | 31.99 | 582,218 |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

26 Other Disclosure Items

(a) Related information on material transaction items

(i) Lending to other parties:

| No | Name of lender | Name of borrower | Account name | Highest balance of financing to other party during the period | Balance as of December 31, 2010 | Range of interest rates during the period | Type of financing | Transaction amounts | Purpose of fund financing of the borrower | Allowance for bad debt | Guarantee | | Limitation on fund financing to individual party (Note 2) | Limitation on fund financing (Note 3) |
|----|----------------|------------------|------------------------------------|---|---------------------------------|---|-------------------|---------------------|---|------------------------|-----------|-------|---|---------------------------------------|
| | | | | | | | | | | | Item | Value | | |
| 01 | The Company | Eclat Vietnam | Other receivable - related parties | 58,260 (USD2,000 thousand) | 58,260 (USD2,000 thousand) | 2.5% | Note 1 | - | Operating capital | - | - | - | 363,786 | 727,572 |
| 01 | The Company | Fabrics | Other receivable - related parties | 145,650 (USD5,000 thousand) | 145,650 (USD5,000 thousand) | 2.5%~2.8% | Note 1 | - | Operating capital | - | - | - | 363,786 | 727,572 |

Note 1: Short-term financing.

Note 2: Not exceeding 10% of net stockholders' equity.

Note 3: Not exceeding 20% of net stockholders' equity.

(ii) Guarantees and endorsements for other parties:

| No | Name of Guarantor | Name of warrantee | | Limitation for individual party | Highest balance to other party during the period | Balance as of December 31, 2010 | Amount guaranteed by properties | Ratio of cumulative guarantees and endorsements amount to total stockholders' equity | Limitation on guarantees and endorsements |
|----|-------------------|-------------------|--|---------------------------------|--|---------------------------------|---------------------------------|--|---|
| | | Name of company | Relationship | | | | | | |
| 0 | The Company | Eclat Cayman | Subsidiary of the Company | 1,091,357 | 477,732 (USD16,400 thousand) | 477,732 | - | 13.13% | 1,818,929 |
| 0 | The Company | Eclat Vietnam | Indirectly held investment through a holding company | 1,091,357 | 87,390 (USD3,000 thousand) | 87,390 | - | 2.40% | 1,818,929 |
| 0 | The Company | Grand Elite | Subsidiary of the Company | 1,091,357 | 49,521 (USD1,700 thousand) | 49,521 | - | 1.36% | 1,818,929 |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

(iii) Information regarding securities held:

| Name of company which holds securities | Category of security and issuer | Relationship between issuer of security and the company which holds securities | Account name | December 31, 2010 | | | | Notes |
|--|---------------------------------|--|--|-----------------------------|-------------------------|----------------------|---------------------------------|-------|
| | | | | Shares/units (in thousands) | Carrying value (Note 1) | Percentage of shares | Market value or net asset value | |
| The Company | Stock - Best Information | Subsidiary of the Company | Equity method investments | 1,181 | 11,822 | 59.05% | 11,822 | - |
| The Company | Stock - Being Long | Subsidiary of the Company | Equity method investments | 43,000 | 514,902 | 100.00% | 514,902 | - |
| The Company | Stock - Eclat Cayman | Subsidiary of the Company | Equity method investments | 48,866 | 1,014,661 | 100.00% | 1,014,661 | - |
| The Company | Stock - Grand Elite | Subsidiary of the Company | Equity method investments | 4,459 | 98,729 | 100.00% | 98,729 | - |
| The Company | Stock - ANKL | - | Financial assets carried at cost - noncurrent | 3,000 | - | 18.75% | (1,384) | - |
| The Company | Stock - Jintex | - | Financial assets reported at fair value through profit or loss | 67 | 1,181 | - | 1,181 | - |

Note 1: including cumulative translation adjustment

(iv) Information regarding purchase or sale of securities for the period which exceeded \$100 million or 20% of the Company's paid-in capital:

| Name of company which holds securities | Category of security and issuer | Account name | Name of counter-party | Relationship between the issuer and the company which holds securities | Beginning Balance | | Acquisition | | Disposal | | | | Reversal of gains (loss) on valuation of securities of securities (Note 1) | Ending Balance | |
|--|---------------------------------|---------------------------|-----------------------|--|---------------------------------|---------|---------------------------------|---------|---------------------------------|--------|----------------|-------------------------|--|---------------------------------|-----------|
| | | | | | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Number of shares (in thousands) | Amount | Carrying value | Gain (loss) on disposal | | Number of shares (in thousands) | Amount |
| The Company | Stock - Eclat Cayman | Equity method investments | Original investment | Subsidiary of the Company | 33,966 | 472,446 | 14,900 | 469,907 | - | - | - | - | 72,308 | 48,866 | 1,014,661 |

Note 1: including investment gain of \$39,642 and cumulative translation adjustment of \$32,666.

(v) Information on acquisition of real estate for which the purchase amount exceeded \$100 million or 20% of the Company's paid-in capital: None

(vi) Information regarding the amount from disposal of real estate exceeding \$100 million or 20% of the Company's paid-in capital: None

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

(vii) Information regarding related-party purchase and sale transactions for which the amount exceeded \$100 million or 20% of the Company's paid-in capital:

| Name of company which purchased or sold | Name of counter-party | Relationship with the Company | Transaction details | | | | Reasons why and description of how the transaction conditions differ from general transactions | | Accounts/notes receivable (payable) | | Notes |
|---|-----------------------|--|---------------------|---------|-------------------------------------|--------------|--|--------------|-------------------------------------|---|-------|
| | | | Purchase/sale | Amount | Percentage of total purchases/sales | Credit terms | Amount | Credit terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| The Company | Being Long | Subsidiary of the Company | Outsourcing | 879,375 | 34.71% (Note 1) | 3 months | (Note) | (Note) | (176,732) | (24.57)% | - |
| The Company | Unison | Indirectly held investment through a holding company | Outsourcing | 225,678 | 8.91% (Note 1) | 30 days | (Note) | (Note) | (19,021) | (2.64)% | - |
| The Company | Eclat Vietnam | Indirectly held investment through a holding company | Outsourcing | 425,856 | 16.81% (Note 1) | 30 days | (Note) | (Note) | (27,042) | (3.76)% | - |
| The Company | Fabrics | Indirectly held investment through a holding company | Purchase | 654,924 | 15.32% | 30 days | (Note) | (Note) | (43,412) | (6.04)% | - |

Note: The sales terms to related parties are not significantly differ from those to non-related parties. Purchase prices and outsourcing expenditure prices for related parties do not significantly differ from those for non-related parties.

Note 1: Percentage of total outsourcing fees.

(viii) Information regarding receivables from related parties for which the amount exceeded \$100 million or 20% of the Company's paid-in capital:

| Company with accounts receivable | Related party | Nature of relationship | Amount | Turnover | Overdue account | | Received subsequently | Allowance for bad debt |
|----------------------------------|---------------|--|---------|----------|-----------------|----------|-----------------------|------------------------|
| | | | | | Amount | Solution | | |
| The Company | Fabrics | Indirectly held investment through a holding company | 145,650 | Note | - | - | 59,177 | - |

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

(ix) Information regarding trading in derivative financial instruments: Discussed in note 5.

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

(b) Investees of the Company

(i) Names and locations of, and related information on, investees over which the Company exercises significant influence:

| Investor company | Investee company | Address | Major operations | Original investment amount | | Balance as of December 31, 2010 | | | Net income (losses) of the investee company (in thousands) | Investment income (losses) recognized by the Company (in thousands) | Note |
|------------------|------------------|---|--|----------------------------|-------------------|---------------------------------|---------|--|--|---|--------------------------------|
| | | | | December 31, 2010 | December 31, 2009 | Shares (in thousands) | % | Carrying value (in thousands) (Note 1) | | | |
| The Company | Best Information | 10F., No.80, Sec. 2, Chang-an E. Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.) | Computer equipment installation, software retailing and international commerce | 11,715 | 11,715 | 1,181 | 59.05% | 11,822 | 5,655 | 3,340 | Subsidiary of the Company |
| The Company | Being Long | 10F., No.80, Sec. 2, Chang-an E. Rd., Zhongshan District, Taipei City 104, Taiwan (R.O.C.) | Dyeing and weaving of various kinds of fibers and cloth | 534,024 | 534,024 | 43,000 | 100.00% | 514,902 | 78,507 | 78,507 | Subsidiary of the Company |
| The Company | Grand Elite | PO Box 3151, Road Town, Tortola, British Virgin Islands | Investments in securities, real estate, and manufacturing industry | 149,409 | 149,409 | 4,459 | 100.00% | 98,729 | 5,489 | 5,489 | Subsidiary of the Company |
| The Company | Eclat Cayman | PO Box 613, 4 th Floor Harbour Centre, George Town, Grand Cayman, Cayman Islands. | Investments in securities, real estate, and manufacturing industry | 1,554,842 | 1,084,935 | 48,866 | 100.00% | 1,014,661 | 39,642 | 39,642 | Subsidiary of the Company |
| Grand Elite | Aegis | PO Box 3151, Road Town, Tortola, British Virgin Islands | Garment merchandise and manufacture | USD 1,802 | USD 1,802 | 1,500 | 100.00% | USD 2,027 | USD 26 | USD 26 | Subsidiary of Grand Elite |
| Grand Elite | Antares | RM 302, Block 3, 420 Long Wu Road, Xuhui Dist., Shanghai | Design clothing | USD 300 | USD 300 | 300 | 100.00% | USD 154 | USD 48 | USD 48 | Subsidiary of Grand Elite |
| Eclat Cayman | Unison | No. 25 Chunxiang Rd, Xishan District, Wuxi, Jiangsu | Design, manufacture, processing and sale of clothing | USD 1,776 | USD 1,776 | 3,125 | 100.00% | USD 1,955 | USD 511 | USD 511 | Subsidiary of Eclat Cayman |
| Eclat Cayman | E-Top | Equity Trust (BVI) Limited Palm Grove House, PO Box 438, Road Town, Tortola, British Virgin Islands | Investments in securities, real estate, and manufacturing industry | USD 2,550 | USD 2,550 | 2,535 | 100.00% | USD 2,188 | USD (261) | USD (261) | Subsidiary of Eclat Cayman |
| Eclat Cayman | Colltex | LOT 28, ROAD NO.7, TRANG BANG INDUSTRIAL PARK, AN TINH VILLAGE, TRANG BANG DISTRICT, TAY NINH PROVINCE, VIETNAM | Design, manufacture, processing and sale of clothing | USD 2,400 | USD - | 1,350 | 100.00% | USD 2,291 | USD (527) | USD (108) | Subsidiary of Eclat Cayman |
| Eclat Cayman | E-TOP(VN) | My Xuan A2 Industrial Zone, Tan Thanh District, Baria-Vungtau Province, Vietnam | Design, manufacture, processing and sale of clothing | USD 1,500 | USD - | 1,500 | 100.00% | USD 1,500 | USD - | USD - | Subsidiary of Eclat Cayman |
| Eclat Cayman | Eclat Vietnam | Nhon Trach 2 IZ, Nhon Trach District, Dong Nai Province, Vietnam | Design, manufacture, processing and sale of clothing | USD 9,171 | USD 9,171 | 10,000 | 100.00% | USD 1,755 | USD 2,031 | USD 2,031 | Subsidiary of Eclat Cayman |
| Eclat Cayman | Fabrics | My Xuan A2 Industrial Zone, Tan Thanh District, Baria-Vungtau Province, Vietnam | Manufacture, processing and sale of fabric | USD 30,000 | USD 19,000 | 30,000 | 100.00% | USD 24,392 | USD (479) | USD (479) | Subsidiary of Eclat Cayman |
| E-Top | E-TOP (Wuxi) | No.25 Chunxiang Rd, Xishan District, Wuxi, Jiangsu | Design, manufacture, processing and sale of clothing | USD 2,500 | USD 2,500 | 2,500 | 100.00% | USD 2,171 | USD (259) | USD (259) | Subsidiary of E-Top |
| Best Information | United Fortune | 113 Barksdale Professional Center Newark, New Jersey, USA | Investments in securities, real estate, and manufacturing industry | USD 144 | USD 144 | 144 | 100.00% | USD 65 | USD 27 | USD 27 | Subsidiary of Best Information |
| United Fortune | Shanghai Jiguan | 676-24, Building 2, No.351 Guoshoujing Rd., Zhangjiang High Sci. & Tech. Park, Shanghai | Computer software development | USD 140 | USD 140 | 140 | 100.00% | USD (62) | USD (4) | USD (4) | Subsidiary of United Fortune |

Note 1: including cumulative translation adjustment

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

(ii) Lending to other parties

| No | Name of lender | Name of borrower | Account name | Highest balance during the period | Balance as of December 31, 2010 | Range of interest rates during the period | Type of financing | Transaction amounts | Purpose of fund financing of the borrower | Allowance for bad debt | Guarantee | | Limitation on fund financing to individual party | Limitation on fund financing |
|----|----------------|------------------|------------------|-----------------------------------|---------------------------------|---|-------------------|---------------------|---|------------------------|-----------|-------|--|------------------------------|
| | | | | | | | | | | | Item | Value | | |
| 01 | Aegis | Eclat Vietnam | Other receivable | USD 1,000,000 | USD 1,000,000 | 2.5%~2.8% | Note 1 | - | Operating capital | - | - | - | USD 1,622,000 (Note 2) | USD 1,824,000 (Note 3) |
| 02 | Grand Elite | E-Top (Wuxi) | Other receivable | USD 500,000 | USD 500,000 | 2.5% | Note 1 | - | Factory capital | - | - | - | USD 2,786,000 (Note 2) | USD 3,133,000 (Note 3) |
| 03 | Grand Elite | Fabrics | Other receivable | USD 1,700,000 | USD 1,700,000 | 2.5%~2.6% | Note 1 | - | Operating capital | - | - | - | USD 2,786,000 (Note 2) | USD 3,133,000 (Note 3) |
| 04 | E-Top | E-Top (Wuxi) | Other receivable | USD 220,000 | USD 220,000 | 2.5%~2.6% | Note 1 | - | Factory capital | - | - | - | USD 1,750,000 (Note 2) | USD 1,969,000 (Note 3) |
| 05 | Eclat Cayman | Eclat Vietnam | Other receivable | USD 2,750,000 | USD 2,750,000 | 2.5% | Note 1 | - | Operating capital | - | - | - | USD 28,156,000 (Note 2) | USD 31,675,000 (Note 3) |
| 06 | Eclat Cayman | E-Top | Other receivable | USD 250,000 | USD 250,000 | 2.5% | Note 1 | - | Operating capital | - | - | - | USD 28,156,000 (Note 2) | USD 31,675,000 (Note 3) |
| 07 | Eclat Cayman | Fabrics | Other receivable | USD 10,800,000 | USD 8,000,000 | 2.5% | Note 1 | - | Operating capital | - | - | - | USD 28,156,000 (Note 2) | USD 31,675,000 (Note 3) |
| 08 | Eclat Cayman | Coltux | Other receivable | USD 200,000 | USD 200,000 | 2.5% | Note 1 | - | Operating capital | - | - | - | USD 28,156,000 (Note 2) | USD 31,675,000 (Note 3) |

Note 1: Short-term financing.

Note 2: Not exceeding 80% of the net equity of the latest financial statements of the lender.

Note 3: Not exceeding 90% of the net equity of the latest financial statements of the lender.

(iii) Guarantees and endorsements for other parties: None.

(iv) Information regarding securities held:

| Name of company which holds securities | Category of security and issuer | Relationship between the issuer and the company which holds securities | Account name | December 31, 2010 | | | | Notes |
|--|---------------------------------|--|---|-----------------------------|-------------------------------|----------------------|--|-------|
| | | | | Shares/units (in thousands) | Carrying value (in thousands) | Percentage of shares | Market value or net asset value (in thousands) | |
| Grand Elite | Stock – Aegis | Subsidiary of Grand Elite | Equity method investments | 1,500 | USD 2,027 | 100.00% | USD 2,027 | - |
| Grand Elite | Stock – Antares | Subsidiary of Grand Elite | Equity method investments | 300 | USD 154 | 100.00% | USD 154 | - |
| Grand Elite | Stock – Eclat Highter | None | Cost method financial asset—non-current | 450 | - | 15.52% | - | - |
| Eclat Cayman | Stock – Unison | Subsidiary of Eclat Cayman | Equity method investments | 3,125 | USD 1,955 | 100.00% | USD 1,955 | - |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

| Name of company which holds securities | Category of security and issuer | Relationship between the issuer and the company which holds securities | Account name | December 31, 2010 | | | | Notes |
|--|---------------------------------|--|---|-----------------------------|-------------------------------|----------------------|--|-------|
| | | | | Shares/units (in thousands) | Carrying value (in thousands) | Percentage of shares | Market value or net asset value (in thousands) | |
| Eclat Cayman | Stock – E-Top | Subsidiary of Eclat Cayman | Equity method investments | 2,535 | USD 2,188 | 100.00% | USD 2,188 | - |
| Eclat Cayman | Stock – Eclat Vietnam | Subsidiary of Eclat Cayman | Equity method investments | 10,000 | USD 1,755 | 100.00% | USD 1,755 | - |
| Eclat Cayman | Stock – Fabrics | Subsidiary of Eclat Cayman | Equity method investments | 30,000 | USD 24,392 | 100.00% | USD 24,392 | - |
| Eclat Cayman | Stock – E-Top (VN) | Subsidiary of Eclat Cayman | Equity method investments | 1,500 | USD 1,500 | 100.00% | USD 1,500 | - |
| Eclat Cayman | Stock – Colltex | Subsidiary of Eclat Cayman | Equity method investments | 1,350 | USD 2,291 | 100.00% | USD 2,291 | - |
| E-Top | Stock – E-TOP (Wuxi) | Subsidiary of E-Top | Equity method investments | 2,500 | USD 2,171 | 100.00% | USD 2,171 | - |
| Best Information | Stock – United Fortune | Subsidiary of Best Information | Equity method investments | 144 | USD 65 | 100.00% | USD 65 | - |
| Best Information | Walsin Technology | None | Financial assets at fair value through profit or loss | 0.57 | 10 | - | 10 | - |
| Best Information | HON HAI | None | Financial assets at fair value through profit or loss | 2.24 | 263 | - | 263 | - |
| Best Information | Yageo | None | Financial assets at fair value through profit or loss | 1.40 | 21 | - | 21 | - |
| Best Information | UMC | None | Financial assets at fair value through profit or loss | 15.63 | 255 | - | 255 | - |
| Best Information | China Steel | None | Financial assets at fair value through profit or loss | 6.46 | 217 | - | 217 | - |
| Best Information | Hsin Kuang Steel | None | Financial assets at fair value through profit or loss | 0.02 | 1 | - | 1 | - |
| Best Information | Chunghwa Picture Tubes | None | Financial assets at fair value through profit or loss | 0.85 | 4 | - | 4 | - |
| Best Information | Taishin Holdings | None | Financial assets at fair value through profit or loss | 1.41 | 24 | - | 24 | - |
| Best Information | Asus | None | Financial assets at fair value through profit or loss | 0.45 | 125 | - | 125 | - |
| Best Information | AMTRAN | None | Financial assets at fair value through profit or loss | 5.25 | 141 | - | 141 | - |
| Best Information | Pegatron | None | Financial assets at fair value through profit or loss | 1.22 | 51 | - | 51 | - |
| United Fortune | Shanghai Jiguan | Subsidiary of United Fortune | Equity method investments | 140 | USD (62) | 100.00% | USD (62) | - |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

- (v) Information regarding purchase or sale of securities for the period which exceeded \$100 million or 20% of the Company's paid-in capital:

| Name of company which holds securities | Category of security and issuer | Account name | Related party | Relationship between the issuer and the company which holds securities | Beginning Balance | | Acquisition | | Disposal | | | | Reversal of gains on valuation of securities (in thousands) (Note) | Ending Balance | |
|--|---------------------------------|---------------------------|---------------|--|---------------------------------|-----------------------|---------------------------------|-----------------------|---------------------------------|-----------------------|----------------|-------------------------|--|---------------------------------|-----------------------|
| | | | | | Number of shares (in thousands) | Amount (in thousands) | Number of shares (in thousands) | Amount (in thousands) | Number of shares (in thousands) | Amount (in thousands) | Carrying value | Gain(loss) on disposal | | Number of shares (in thousands) | Amount (in thousands) |
| Eclat Cayman | Stock - Fabrics | Equity method investments | Fabrics | Subsidiary of Eclat Cayman | 19,000 | USD 10,930 | 11,000 | USD 11,000 | - | - | - | - | USD 2,462 | 30,000 | USD 24,392 |

Note: including investment gain of \$(479) and cumulative translation adjustment of \$2,941.

- (vi) Information on acquisition of real estate for which the purchase amount exceeded \$100 million or 20% of the Company's paid-in capital: None.
- (vii) Information regarding the amount from disposal of real estate exceeding NT\$100 million or 20% of the paid-in capital: None
- (viii) Information regarding related-party purchase and sale transactions for which the amount exceeded \$100 million or 20% of the Company's paid-in capital:

| Name of company which purchased or sold | Name of counter-party | Relationship | Transaction details | | | | Reasons why and description of how the transaction conditions differ from general transactions | | Accounts/notes receivable (payable) | | Notes |
|---|-----------------------|--------------------------|---------------------|---------|-------------------------------------|--------------|--|--------------|-------------------------------------|---|-------|
| | | | Purchase/sale | Amount | Percentage of total purchases/sales | Credit terms | Amount | Credit terms | Ending balance | Percentage of total notes/accounts receivable (payable) | |
| Being Long | The Company | Parent company | Sale | 888,481 | 94.10% | 3 months | (Note) | (Note) | 176,839 | 93.42% | - |
| Unison | The Company | Ultimate holding company | Sale | 225,678 | 99.25% | 30 days | (Note) | (Note) | 19,021 | 94.95% | - |
| Eclat Vietnam | The Company | Ultimate holding company | Sale | 425,856 | 100.00% | 30 days | (Note) | (Note) | 27,042 | 100.00% | - |
| Fabrics | The Company | Ultimate holding company | Sale | 654,924 | 91.63% | 30 days | (Note) | (Note) | 43,412 | 87.63% | - |

Note: The terms of sales to related parties are not significantly differ from those to non-related parties. Purchase prices and outsourcing expenditure prices for related parties do not significantly differ from those for non-related parties.

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

(ix) Information regarding receivables from related parties for which the amount exceeded \$100 million or 20% of the Company's paid-in capital:

| Name of company which has accounts receivable | Counterparty | Relationship | Ending balance of accounts receivable (in thousands) | Turnover | Past-due receivables from related party | | Received subsequently (in thousands) | Allowance for bad debt |
|---|--------------|------------------|--|----------|---|--------|--------------------------------------|------------------------|
| | | | | | Amount | method | | |
| Being Long | The Company | Parent company | 176,839 | 5.73 | - | - | 60,519 | - |
| Eclat Cayman | Fabrics | Subsidiary | USD 8,036 | Note | - | - | USD - | - |
| Aegis | Unison | Investee company | USD 773 | Note | - | - | USD - | - |
| Aegis | Antares | Investee company | USD 1,007 | Note | - | - | USD - | - |
| GRAND ELITE | Fabrics | Investee company | USD 1,708 | Note | - | - | USD - | - |

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

(x) Information regarding trading in derivative financial instruments: None.

(c) Information regarding investments in Mainland China (PRC)

| Name of PRC investee company | Major operations | Amount of paid-in capital (in thousands) | Method of investment | Investment transferred from Taiwan, beginning of period (in thousands) | Year ended December 31, 2010 | | Investment transferred from Taiwan, end of period (in thousands) | Direct and indirect shareholding percentage by the Company | Current gain or loss on investment recognized (in thousands) (note) | Carrying value of investment, end of period (in thousands) (note) | Repatriated gain on investment, end of period |
|------------------------------|--|--|----------------------|--|------------------------------|--------------|--|--|---|---|---|
| | | | | | Remittance | Repatriation | | | | | |
| Unison | Design, manufacture, processing and sale of clothing | USD 3,125 | Indirect investment | USD 1,776 | - | - | USD 1,776 | 100.00% | USD 511 | USD 1,955 | - |
| Antares | Design clothing | USD 300 | Indirect investment | USD 300 | - | - | USD 300 | 100.00% | USD 48 | USD 154 | - |
| E-TOP (WUXI) | Design, manufacture, processing and sale of clothing | USD 2,500 | Indirect investment | USD 2,500 | - | - | USD 2,500 | 100.00% | USD (259) | USD 2,171 | - |

Note: The above information is based on audited financial statements.

| Cumulative remittance from Taiwan, end of the period | Amount of investment approved by the Investment Commission, Ministry of Economic Affairs | Limit on the amount of investment in Mainland China |
|--|--|---|
| 133,299 (USD 4,576 thousand) | 133,299 (USD 4,576 thousand) | 2,182,715 |

As of December 31, 2010, the NTD to USD exchange rate was 29.13.

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ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

27 Segment Information

(a) Industry segment

Information regarding the Company's operations in different industries is as follows:

| <u>2010</u> | <u>Knitwear department</u> | <u>Garment department</u> | <u>Adjustment and write-off</u> | <u>Total</u> |
|--|--------------------------------|-------------------------------|-------------------------------------|---------------------|
| Revenue: | | | | |
| Operating revenues | | | | |
| - Revenues from unaffiliated customers | \$ 3,853,595 | 4,595,365 | - | 8,448,960 |
| - Inter-segment revenues | <u>1,414,940</u> | <u>-</u> | <u>(1,414,940)</u> | <u>-</u> |
| Total revenues | <u>\$ 5,286,535</u> | <u>4,595,365</u> | <u>(1,414,940)</u> | <u>8,448,960</u> |
| Cost and expenses: | | | | |
| Operating costs | | | | |
| - Unaffiliated customers | \$ 4,469,297 | 2,262,425 | - | 6,731,722 |
| - Inter-segment | <u>-</u> | <u>1,414,940</u> | <u>(1,414,940)</u> | <u>-</u> |
| Total cost and expenses | <u>\$ 4,469,297</u> | <u>3,677,365</u> | <u>-</u> | <u>6,731,722</u> |
| Income from continuing operations | <u>\$ 799,238</u> | <u>918,000</u> | <u>-</u> | 1,717,238 |
| Interest income | | | | |
| - Unaffiliated customers | | | | 5,381 |
| - Inter-segment | | | | - |
| Investment loss on equity-method investees | | | | 126,978 |
| Company's general expenses | | | | (907,732) |
| Interest expenses | | | | (4,324) |
| Non-operating income | | | | 67,412 |
| Non-operating expenses | | | | <u>(104,613)</u> |
| Income before tax | | | | <u>\$ 900,340</u> |
| Identifiable assets | <u>\$ 746,911</u> | <u>159,220</u> | <u>-</u> | 906,131 |
| Long-term investments | | | | 1,640,114 |
| Company's general assets | | | | <u>2,825,643</u> |
| Total assets | | | | <u>\$ 5,371,888</u> |
| Depreciation | <u>\$ 29,701</u> | <u>17,840</u> | <u>-</u> | <u>47,541</u> |
| Capital expenditures | <u>\$ 21,240</u> | <u>49,050</u> | <u>-</u> | <u>70,290</u> |

(Continued)

ECLAT TEXTILE CO., LTD.

Notes to Financial Statements

| <u>2009</u> | <u>Knitwear department</u> | <u>Garment department</u> | <u>Adjustment and write-off</u> | <u>Total</u> |
|--|--------------------------------|-------------------------------|-------------------------------------|---------------------|
| Revenue: | | | | |
| Operating revenues | | | | |
| - Revenues from unaffiliated customers | \$ 3,206,409 | 2,956,146 | - | 6,162,555 |
| - Inter-segment revenues | <u>863,811</u> | <u>-</u> | <u>(863,811)</u> | <u>-</u> |
| Total revenues | <u>\$ 4,070,220</u> | <u>2,956,146</u> | <u>(863,811)</u> | <u>6,162,555</u> |
| Cost and expenses: | | | | |
| Operating costs | | | | |
| - Unaffiliated customers | \$ 3,321,118 | 1,363,959 | - | 4,685,077 |
| - Inter-segment | <u>-</u> | <u>863,811</u> | <u>(863,811)</u> | <u>-</u> |
| Total cost and expenses | <u>\$ 3,321,118</u> | <u>2,227,770</u> | <u>(863,811)</u> | <u>4,685,077</u> |
| Income from continuing operations | <u>\$ 749,102</u> | <u>728,376</u> | <u>-</u> | 1,477,478 |
| Interest income | | | | |
| - Unaffiliated customers | | | | 4,336 |
| - Inter-segment | | | | - |
| Investment loss on equity-method investees | | | | (186,988) |
| Impairment loss on assets | | | | (7,569) |
| Company's general expenses | | | | (698,065) |
| Interest expenses | | | | (4,425) |
| Non-operating income | | | | 11,769 |
| Non-operating expenses | | | | <u>(17,024)</u> |
| Income before tax | | | | <u>\$ 579,512</u> |
| Identifiable assets | <u>\$ 722,533</u> | <u>160,690</u> | <u>-</u> | 883,223 |
| Long-term investments | | | | 1,061,461 |
| Company's general assets | | | | <u>2,092,764</u> |
| Total assets | | | | <u>\$ 4,037,448</u> |
| Depreciation | <u>\$ 29,541</u> | <u>21,003</u> | <u>-</u> | <u>50,574</u> |
| Capital expenditures | <u>\$ 17,796</u> | <u>5,669</u> | <u>-</u> | <u>23,465</u> |

(Continued)

ECLAT TEXTILE CO., LTD.**Notes to Financial Statements**

(b) Geographic area

The Company did not have any foreign operating units.

(c) Export sales

For the years ended December 31, 2010 and 2009, export revenues were as follows:

| <u>Region</u> | <u>2010</u> | <u>2009</u> |
|---------------|----------------------------|-------------------------|
| Americas | \$ 4,643,947 | 2,878,309 |
| Asia | 2,167,539 | 1,916,957 |
| Others | <u>527,672</u> | <u>469,225</u> |
| Total | \$ <u>7,339,158</u> | <u>5,264,491</u> |

(d) Major customers

| <u>Customer</u> | <u>2010</u> | |
|-----------------|--------------------------|--------------------------------|
| | <u>Sales</u> | <u>Percentage of sales</u> |
| Lululemon | \$ <u>869,758</u> | <u>10.29%</u> |

For the year ended December 31, 2009, no individual customer accounted for 10% of the Company's net sales.