

HOLYSTONE ENTERPRISE COMPANY LIMITED

Balance Sheet (reviewed)

March 31, 2011 and 2010

Unit: Thousands of New Taiwan Dollars

	3.31.2011		3.31.2010		YoY		3.31.2011		3.31.2010		YoY
	Amount	%	Amount	%	%		Amount	%	Amount	%	%
Assets						Liabilities and stockholders' equity					
Current Assets:						Current liabilities:					
Cash and Cash equivalents	\$ 2,216,452	16	1,704,304	15	30	Short-term loans	\$ 1,374,756	10	931,998	8	48
Financial assets at fair value through profit or loss-current	287,271	2	393,581	3	(27)	Notes and accounts payable	1,100,627	8	923,297	8	19
Notes and accounts receivable, net	2,275,765	17	2,084,032	17	9	Payables to related parties	45,111	-	21,528	-	110
Receivables from related parties	1,243,626	9	761,564	6	63	Income tax payable	87,298	1	138,356	1	(37)
Other receivables - related parties	418	-	118,604	1	(100)	Accrued expenses and others - current	388,599	3	406,549	4	(4)
Other financial assets - current	146,314	1	116,697	1	25	Current portion of long-term debt	146,333	1	162,000	1	(10)
Inventories, net	1,689,769	12	1,514,701	13	12	Total current liabilities	3,142,724	23	2,583,728	22	22
Prepaid expenses and other current assets	66,830	-	93,264	1	(28)	Long-term liabilities					
Total current assets	7,926,445	57	6,786,747	57	17	Corporate bonds payable	663,993	5	-	-	
Funds and investments:						Long-term loans payable - bank	182,917	1	967,500	8	(81)
Long-term equity investments under equity method	2,488,158	19	2,233,554	19	11	Total long-term liabilities	846,910	6	967,500	8	(12)
Available-for-sale financial assets - noncurrent	300,656	2	337,853	3	(11)	Other liabilities					
Financial assets carried at cost - noncurrent	300,000	2	300,000	3	-	Accrued pension liabilities	26,732	-	21,466	-	25
Total funds and investments	3,088,814	23	2,871,407	25	8	Deferred income tax liabilities - noncurrent	33,555	-	36,631	-	(8)
Property, plant and equipment						Other liabilities	267	-	271	-	(1)
Cost:						Total other liabilities	60,554	-	58,368	-	4
Land	597,530	4	460,179	4	30	Total liabilities	4,050,188	29	3,609,596	30	12
Buildings	1,121,669	9	1,092,455	9	3	Stockholders' equity					
Machinery and equipment	1,388,673	11	1,323,314	11	5	Common stock	3,202,175	23	2,872,175	24	11
Leasing assets	47,568	-	47,568	-	-	Capital surplus	3,649,985	27	2,763,032	23	32
Other equipment	191,612	1	156,940	1	22	Retained earnings:					
Subtotal	3,347,052	25	3,080,456	25	9	Legal reserve	776,837	6	691,876	6	12
Less: Accumulated depreciation	(994,668)	(7)	(798,623)	(7)	25	Unappropriated earnings	1,470,330	11	1,622,979	14	(9)
Construction in progress and prepayments for equipment	267,945	2	41,762	-	542	Total retained earnings	2,247,167	17	2,314,855	20	(3)
Net property, plant and equipment	2,620,329	20	2,323,595	18	13	Others:					
Other assets	2,034	-	5,051	-	(60)	Cumulative translation adjustments	(16,910)	-	25,509	-	(166)
						Net loss not recognized as pension cost	(20,223)	-	(15,783)	-	28
						Unrealized gain or loss on financial instruments	547,265	4	417,416	3	31
						Treasury stock	(22,025)	-	-	-	
						Total stockholders' equity	488,107	4	427,142	3	14
						9,587,434	71	8,377,204	70	14	
						Commitments and contingencies					
Total assets	\$13,637,622	100	11,986,800	100	14	Total liabilities and stockholders' equity	\$13,637,622	100	11,986,800	100	14

HOLYSTONE ENTERPRISE COMPANY LIMITED

Condensed Statement of Income

For the Three Months ended March 31, 2011

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

	1Q 2011		4Q 2010		1Q 2010		QoQ		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$ 3,390,700	100.0	3,533,092	100.0	2,986,106	100.0	(142,392)	(4.0)	404,594	13.5
Cost of goods sold	(3,079,617)	(90.8)	(3,256,818)	(92.2)	(2,585,236)	(86.6)	177,201	(5.4)	(494,381)	19.1
Gross Profit	311,083	9.2	276,274	7.8	400,870	13.4	34,809	12.6	(89,787)	(22.4)
Realized (unrealized) gross profit from affiliates	3,139	0.1	6,787	0.2	(3,552)	(0.1)	(3,648)	(53.7)	6,691	(188.4)
Realized gross profit	314,222	9.3	283,061	8.0	397,318	13.3	31,161	11.0	(83,096)	(20.9)
Operating expenses	(177,255)	(5.2)	(180,031)	(5.1)	(180,048)	(6.0)	2,776	(1.5)	2,793	(1.6)
Operating income	136,967	4.1	103,030	2.9	217,270	7.3	33,937	32.9	(80,303)	(37.0)
Non-operating income and gain	133,158	3.9	132,699	3.8	90,075	3.0	459	0.3	43,083	47.8
Non-operating expenses and losses	(23,971)	(0.7)	(74,091)	(2.1)	(5,900)	(0.2)	50,120	(67.6)	(18,071)	306.3
Income before income tax	246,154	7.3	161,638	4.6	301,445	10.1	84,516	52.3	(55,291)	(18.3)
Income tax expense	(34,796)	(1.1)	(15,253)	(0.4)	(51,818)	(1.7)	(19,543)	128.1	17,022	(32.8)
Net income	\$ 211,358	6.2	146,385	4.2	249,627	8.4	64,973	44.4	(38,269)	(15.3)
Basic Earnings per share-before tax (NTD)	<u>\$0.77</u>		<u>0.54</u>		<u>1.05</u>					
Basic Earnings per share-after tax (NTD)	<u>\$0.66</u>		<u>0.49</u>		<u>0.87</u>					
Basic weighted average outstanding shares	320,208		300,779		287,217					

Note: EPS calculation is based on the weighted average outstanding shares at the end of each quarter.

HOLY STONE ENTERPRISE COMPANY LIMITED

Statement of Income (reviewed)

For the Three Months ended March 31, 2011 and 2010

Unit: Thousands of New Taiwan Dollars

	1Q 2011		1Q 2010		YoY
	Amount	%	Amount	%	%
Gross sales	\$ 3,407,801	101	3,000,262	100	14
Less: Sales returns	(17,101)	(1)	(14,156)	-	21
Net Sales	3,390,700	100	2,986,106	100	14
Cost of goods sold	(3,079,617)	(91)	(2,585,236)	(87)	19
Gross profit	311,083	9	400,870	13	(22)
Realized (unrealized) gross profit from affiliates	3,139	-	(3,552)	-	(188)
Realized gross profit	314,222	9	397,318	13	(21)
Operating expenses					
Selling and administrative	(149,724)	(4)	(157,228)	(5)	(5)
Research and development	(27,531)	(1)	(22,820)	(1)	21
	(177,255)	(5)	(180,048)	(6)	(2)
Operating income	136,967	4	217,270	7	(37)
Non-operating income and gains:					
Interest income	2,630	-	3,719	-	(29)
Investment income recognized under equity method	47,286	1	66,514	2	(29)
Dividend income	2,644	-	2,651	-	-
Gain on disposal of investments	78,253	2	-	-	-
Foreign exchange gain	284	-	-	-	-
Valuation gain on financial assets	-	-	16,301	1	(100)
Others	2,061	-	890	-	132
	133,158	3	90,075	3	48
Non-operating expenses and losses:					
Interest expenses	(5,476)	-	(4,905)	-	12
Foreign exchange loss	-	-	(903)	-	(100)
Valuation loss on financial assets	(18,095)	(1)	-	-	-
Others	(400)	-	(92)	-	335
	(23,971)	(1)	(5,900)	-	306
Income before income tax	246,154	6	301,445	10	(18)
Income tax expense	(34,796)	(1)	(51,818)	(2)	(33)
Net income	\$ 211,358	5	249,627	8	(15)
Earnings per share (Unit: NTD)					
Basic earnings per share	\$ 0.77	0.66	1.05	0.87	
Diluted earnings per share	\$ 0.73	0.62	1.04	0.86	

HOLY STONE ENTERPRISE COMPANY LIMITED

Statement of Cash Flow (reviewed)

For the Three Months ended March 31, 2011 and 2010

Unit: Thousands of New Taiwan Dollars

	1Q 2011	1Q 2010
Cash flows from operating activities:		
Net income	\$ 211,358	249,627
Adjustments to reconcile net income:		
Depreciation *	48,933	46,251
Amortization - discount on corporate bonds payable	2,129	-
Allowance for inventory valuation loss, retirement loss, and obsolescence loss	9,963	680
Investment gain accounted for using equity method	(47,286)	(66,514)
Loss on disposal of property, plant and equipment	301	-
Gain on disposal of investments, net	(78,253)	-
Realized (unrealized) gain (loss) from affiliates	(3,139)	3,552
Deferred income tax expense	8,299	8,809
Changes in operating assets and liabilities:		
Financial assets held for trading	22,949	74,387
Notes and accounts receivable	16,914	37,839
Receivables from related parties	(197,659)	(66,410)
Other receivables	782	835
Inventory	390,165	(91,640)
Prepaid expenses and other current assets	8,145	(18,944)
Other financial assets - current	5,336	(35,265)
Notes and accounts payable	(278,093)	(110,556)
Payables from related parties	(2,707)	2,982
Income tax payable	26,423	35,442
Accrued pension liabilities	(31,254)	(4,290)
Net cash provided by operating activities	113,306	66,785
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	102,963	-
Additions to property, plant and equipment	(87,072)	(14,126)
Proceeds from sale of property, plant, and equipment	28	-
Decrease in other receivables - related parties	-	1,999
Decrease in other assets	(96)	1,146
Net cash provided by (used in) investing activities	15,823	(10,981)
Cash flows from financing activities:		
Increase in short-term loans	479,417	46,740
Repayment of long-term loans	(36,583)	(12,750)
Decrease in other liabilities *	-	(2,063)
Net cash provided by financing activities *	442,834	31,927
Net increase in cash and cash in banks	571,963	87,731
Cash and cash in banks at beginning of period	1,644,489	1,616,573
Cash and cash in banks at the end of period	\$ 2,216,452	1,704,304
Supplemental disclosure of cash flow information		
Interest paid	\$ 2,877	4,690
Income tax payable	\$ 75	7,548
Supplemental information on non-cash investing and financing activities		
Current portion of long-term debt	\$ 146,333	162,000
Unrealized valuation gain on financial instruments *	\$ 32,936	33,144
Changes in unrealized gain on financial instruments from long-term equity investments *	\$ (51,328)	4,389
Changes in capital reserve from long-term equity investments	\$ 2,358	-
Payables in treasury stock repurchase	\$ (22,025)	-
Cash used in acquisition of property, plant and equipment		
Acquisition of property, plant and equipment	\$ (62,154)	(26,692)
Increase (decrease) in payables on equipment	(24,918)	12,566
Payment in cash	\$ (87,072)	(14,126)

Note: Figures of 2010 were adjusted and characterized properly.