

# HOLY STONE ENTERPRISE COMPANY LIMITED

## BALANCE SHEETS

June 30, 2011 and 2010  
(Expressed in thousands of New Taiwan Dollars)

Assets	6.30.2011		6.30.2010		YoY	Liabilities and Stockholders' Equity	6.30.2011		6.30.2010		YoY
	Amount	%	Amount	%	%		Amount	%	Amount	%	%
<b>Current Assets:</b>						<b>Current Liabilities:</b>					
Cash and cash equivalents	\$ 2,292,451	17	1,798,397	15	27	Short-term loans	\$ 1,134,629	8	1,085,369	9	5
Financial assets at fair value through profit or loss-current	252,685	2	297,110	2	(15)	Financial liabilities at fair value through profit or loss - current	-	-	7,184	-	(100)
Notes and accounts receivable, net	2,387,492	18	2,269,116	18	5	Notes and accounts payable	1,244,298	9	1,010,022	8	23
Notes and accounts receivable - related parties*	1,104,284	8	818,028	7	35	Payables to related parties	29,704	-	58,792	-	(49)
Other accounts receivable - related parties*	907	-	2,756	-	(67)	Income tax payable	41,395	-	71,978	1	(42)
Other financial assets-current	151,066	1	208,930	1	(28)	Accrued expenses and other current liabilities	431,855	3	469,555	4	(8)
Inventories, net	1,753,398	13	1,808,360	14	(3)	Dividend payable	736,500	5	861,653	7	(15)
Prepaid expenses and other current assets	69,303	1	95,500	1	(27)	Current portion of corporate bonds payable	666,122	5	-	-	
<b>Total Current Assets</b>	<b>8,011,586</b>	<b>60</b>	<b>7,298,197</b>	<b>58</b>	<b>10</b>	Current portion of long-term debt payable	146,333	1	146,333	1	-
<b>Funds and Investments:</b>						<b>Total Current Liabilities</b>	<b>4,430,836</b>	<b>31</b>	<b>3,710,886</b>	<b>30</b>	<b>19</b>
Long-term equity investments under equity method	2,322,714	18	2,249,195	18	3	<b>Long-Term Liabilities:</b>					
Available-for-sale financial assets - noncurrent	177,516	1	367,043	3	(52)	Corporate bonds payable	-	-	657,606	6	(100)
Financial assets carried at cost - noncurrent	300,000	2	300,000	2	-	Long-term loans payable - bank	146,333	1	292,667	2	(50)
<b>Total Funds and Investments</b>	<b>2,800,230</b>	<b>21</b>	<b>2,916,238</b>	<b>23</b>	<b>(4)</b>	<b>Total Long-Term Liabilities</b>	<b>146,333</b>	<b>1</b>	<b>950,273</b>	<b>8</b>	<b>(85)</b>
<b>Property, Plant and Equipment:</b>						<b>Other Liabilities:</b>					
Costs:						Accrued pension liabilities	26,732	-	21,466	-	25
Land	597,530	4	460,179	4	30	Deferred income tax liabilities - noncurrent	33,356	-	39,504	-	(16)
Buildings	1,122,280	8	1,093,905	9	3	Other liabilities	266	-	271	-	(2)
Machinery and equipment	1,584,451	12	1,365,392	11	16	<b>Total Other Liabilities</b>	<b>60,354</b>	<b>-</b>	<b>61,241</b>	<b>-</b>	<b>(1)</b>
Leasing assets*	47,568	-	47,568	-	-	<b>Total Liabilities</b>	<b>4,637,523</b>	<b>32</b>	<b>4,722,400</b>	<b>38</b>	<b>(2)</b>
Other equipment*	200,839	1	168,829	1	19	<b>Stockholders' Equity:</b>					
Subtotal*	3,552,668	25	3,135,873	25	13	Common stock	3,202,175	24	2,872,175	23	11
Less: Accumulated depreciation*	(1,050,469)	(8)	(846,969)	(7)	24	Capital surplus	3,631,878	27	2,901,049	23	25
Construction in progress and prepayments for equipment	204,649	2	75,271	1	172	Retained earnings:					
<b>Net Property, Plant and Equipment</b>	<b>2,706,848</b>	<b>19</b>	<b>2,364,175</b>	<b>19</b>	<b>14</b>	Legal reserve	860,061	7	776,837	6	11
<b>Other Assets</b>	<b>1,984</b>	<b>-</b>	<b>5,491</b>	<b>-</b>	<b>(64)</b>	Unappropriated earnings	865,502	6	887,096	7	(2)
							<b>1,725,563</b>	<b>13</b>	<b>1,663,933</b>	<b>13</b>	<b>4</b>
						Others:					
						Cumulative translation adjustments	(30,943)	-	47,390	-	(165)
						Net loss unrecognized as pension cost	(20,223)	-	(15,783)	-	28
						Unrealized gain or loss on financial instruments	405,517	4	392,937	3	3
						Treasury stock	(30,842)	-	-	-	
							<b>323,509</b>	<b>4</b>	<b>424,544</b>	<b>3</b>	<b>(24)</b>
						Total stockholders' equity of the parent Company	8,883,125	68	7,861,701	62	13
						<b>Commitments and Contingencies</b>					
<b>Total Assets</b>	<b>\$ 13,520,648</b>	<b>100</b>	<b>12,584,101</b>	<b>100</b>	<b>7</b>	<b>Total liabilities and Stockholders' Equity</b>	<b>\$ 13,520,648</b>	<b>100</b>	<b>12,584,101</b>	<b>100</b>	<b>7</b>

Note: Figures of 2010 were adjusted and characterized properly.

**HOLY STONE ENTERPRISE COMPANY LIMITED**  
**CONDENSED STATEMENTS OF INCOME**  
**For the Three Months ended June 30, 2011**  
**(Expressed in thousands of New Taiwan Dollars, except earnings per share)**

	2Q 2011		1Q 2011		2Q 2010		QoQ		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$ 3,324,223	100.0	3,390,700	100.0	3,124,781	100.0	(66,477)	(2.0)	199,442	6.4
Cost of goods sold	(3,006,680)	(90.4)	(3,079,617)	(90.8)	(2,688,350)	(86.0)	72,937	(2.4)	(318,330)	11.8
Gross profit	317,543	9.6	311,083	9.2	436,431	14.0	6,460	2.1	(118,888)	(27.2)
Realized (unrealized) gross profit from affiliates	(7,068)	(0.2)	3,139	0.1	2,219	0.1	(10,207)	(325.2)	(9,287)	(418.5)
Realized gross profit	310,475	9.3	314,222	9.3	438,650	14.0	(3,747)	(1.2)	(128,175)	(29.2)
Operating expenses	(176,639)	(5.3)	(177,255)	(5.2)	(213,621)	(6.8)	616	(0.3)	36,982	(17.3)
Operating income	133,836	4.1	136,967	4.1	225,029	7.2	(3,131)	(2.3)	(91,193)	(40.5)
Non-operating income and gain	125,477	3.8	133,158	3.9	38,692	1.2	(7,681)	(5.8)	86,785	224.3
Non-operating expenses and losses	(26,109)	(0.8)	(23,971)	(0.7)	(15,980)	(0.5)	(2,138)	8.9	(10,129)	63.4
Income before income tax	233,204	7.0	246,154	7.3	247,741	7.9	(12,950)	(5.3)	(14,537)	(5.9)
Income tax expense	(18,308)	(1.1)	(34,796)	(1.1)	(37,010)	(1.2)	16,488	(47.4)	18,702	(50.5)
Net income	\$ 214,896	6.5	211,358	6.2	210,731	6.7	3,538	1.7	4,165	2.0
Earnings per share-before tax (NT Dollars)*	\$ 0.73		0.77		0.86					
Earnings per share-after tax (NT Dollars)*	\$ 0.67		0.66		0.73					

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

# HOLY STONE ENTERPRISE COMPANY LIMITED

## STATEMENTS OF INCOME

For the Six Months ended June 30, 2011 and 2010

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

	1H 2011		1H 2010		YoY
	Amount	%	Amount	%	%
<b>Gross sales</b>	\$ 6,752,842	101	6,146,927	101	10
Less: Sales returns	(37,919)	(1)	(36,040)	(1)	5
<b>Net sales</b>	6,714,923	100	6,110,887	100	10
<b>Cost of goods sold</b>	(6,086,297)	(91)	(5,273,586)	(86)	15
<b>Gross profit</b>	628,626	9	837,301	14	(25)
Less: Unrealized gross profit from affiliates	(3,929)	-	(1,333)	-	195
<b>Realized gross profit</b>	624,697	9	835,968	14	(25)
<b>Operating expense</b>					
Selling and administrative	(301,898)	(4)	(345,196)	(6)	(13)
Research and development	(51,996)	(1)	(48,473)	(1)	7
	(353,894)	(5)	(393,669)	(7)	(10)
<b>Operating income</b>	270,803	4	442,299	7	(39)
<b>Non-operating income and gains:</b>					
Interest income	4,176	-	6,065	-	(31)
Investment income recognized under equity method	112,231	2	110,614	2	1
Dividend income	5,282	-	5,369	-	(2)
Gain on disposal of investments, net	132,739	2	-	-	
Valuation gain on financial assets	-	-	4,855	-	(100)
Others	4,207	-	1,864	-	126
	258,635	4	128,767	2	101
<b>Non-operating expenses and losses:</b>					
Interest expenses	(12,163)	-	(10,176)	-	20
Foreign exchange loss	(26,799)	-	(4,832)	-	455
Valuation loss on financial assets	(10,626)	-	-	-	
Valuation loss on financial liabilities	-	-	(6,688)	-	100
Others	(492)	-	(184)	-	167
	(50,080)	-	(21,880)	-	129
<b>Income before income tax</b>	479,358	8	549,186	9	(13)
<b>Income tax expense</b>	(53,104)	(1)	(88,828)	(1)	(40)
<b>Net income</b>	\$ 426,254	7	460,358	8	(7)
<b>Earnings per share (NT Dollar)</b>					
	Before	After	Before	After	
	Income Tax	Income Tax	Income Tax	Income Tax	
<b>Basic earnings per share</b>	\$ 1.50	1.33	1.91	1.60	
<b>Diluted earnings per share</b>	\$ 1.41	1.26	1.88	1.57	

**HOLY STONE ENTERPRISE COMPANY LIMITED**  
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY**

For the Six Months Ended June 30, 2011 and 2010

(Figures in thousands of New Taiwan Dollars)

	Retained Earnings				Others			Total Shareholders' Equity	
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments	Net loss not recognized as pension cost	Unrealized gains on financial instruments		Treasury Stock
<b>Balance, January 1, 2010</b>	\$ 2,872,175	2,763,032	691,876	1,373,352	34,041	(15,783)	454,949	-	8,173,642
The equity component of the convertible bond-stock option	-	113,267	-	-	-	-	-	-	113,267
Net income	-	-	-	460,358	-	-	-	-	460,358
Appropriations of prior year's earnings (Note 1):									
Legal capital reserve	-	-	84,961	(84,961)	-	-	-	-	-
Cash dividends of common stock	-	-	-	(861,653)	-	-	-	-	(861,653)
Changes in unrealized gains (losses) on available-for-sale financial assets*	-	-	-	-	-	-	24,801	-	24,801
Changes in foreign exchange gain (loss) due to the translation of foreign currency financial statements	-	-	-	-	13,349	-	-	-	13,349
Changes in equities of long-term investments*	-	-	-	-	-	-	(86,813)	-	(86,813)
Stock-based compensation	-	24,750	-	-	-	-	-	-	24,750
<b>Balance, June 30, 2010</b>	<b>\$ 2,872,175</b>	<b>2,901,049</b>	<b>776,837</b>	<b>887,096</b>	<b>47,390</b>	<b>(15,783)</b>	<b>392,937</b>	<b>-</b>	<b>7,861,701</b>
<b>Balance, January 1, 2011</b>	<b>\$ 3,202,175</b>	<b>3,652,343</b>	<b>776,837</b>	<b>1,258,972</b>	<b>(24,681)</b>	<b>(20,223)</b>	<b>528,873</b>	<b>-</b>	<b>9,374,296</b>
Repurchase of treasury stock	-	-	-	-	-	-	-	(30,842)	(30,842)
Net income	-	-	-	426,254	-	-	-	-	426,254
Appropriations of prior year's earnings (Note 2):									
Legal capital reserve	-	-	83,224	(83,224)	-	-	-	-	-
Cash dividends of common stock	-	-	-	(736,500)	-	-	-	-	(736,500)
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	(113,006)	-	(113,006)
Changes in foreign exchange gain (loss) due to the translation of foreign currency financial statements	-	-	-	-	(6,262)	-	-	-	(6,262)
Changes in equities of long-term investments	-	(20,465)	-	-	-	-	(10,350)	-	(30,815)
<b>Balance, June 30, 2011</b>	<b>\$ 3,202,175</b>	<b>3,631,878</b>	<b>860,061</b>	<b>865,502</b>	<b>(30,943)</b>	<b>(20,223)</b>	<b>405,517</b>	<b>(30,842)</b>	<b>8,883,125</b>

\*: Figures of 2010 were adjusted and characterized properly.

Note 1: Compensations of NT\$22,313 thousand for directors and supervisors and NT\$119,005 thousand for employees have been deducted from Statements of Income.

Note 2: Compensations of NT\$21,931 thousand for directors and supervisors and NT\$116,964 thousand for employees have been deducted from Statements of Income.

**HOLY STONE ENTERPRISE COMPANY LIMITED**  
**STATEMENTS OF CASH FLOWS**

For the Six Months ended June 30, 2011 and 2010  
(Expressed in thousands of New Taiwan Dollars)

	1H 2011	1H 2010
<b>Cash flows from Operating activities:</b>		
<b>Net Income</b>	\$ 426,254	460,358
<b>Adjustments to reconcile net income to cash provided by operating activities:</b>		
Depreciation	104,832	94,598
Stock-based compensation	-	24,750
Amortization - Discount on Corporate bonds payable	4,258	187
Allowance for Inventory valuation loss, retirement loss, and obsolescence loss	7,593	448
Investment loss accounted for using equity method	(112,231)	(110,614)
Cash dividends from investees under equity method	145,000	-
Loss on disposal and scrap of Property, plant and equipment	299	-
Gain on disposal of Investments, net	(132,739)	-
Unrealized gain from affiliates*	3,929	1,333
Deferred Income tax expense	14,558	14,802
<b>Changes in operating assets and liabilities:</b>		
Changes in financial assets at fair value through profit or loss*	57,535	241,544
Increase in notes and accounts receivable	(94,813)	(147,245)
Increase in notes and account receivables from related parties	(58,024)	(125,630)
Decrease in other receivables from related parties	-	121,438
Decrease (increase) in inventories	328,906	(385,067)
Decrease (increase) in prepaid expenses and other current assets	2,088	(27,629)
Increase in other financial assets - current	(7,226)	(127,498)
Changes in financial liabilities at fair value through profit or loss*	-	7,184
Increase (decrease) in notes and accounts payable	(134,422)	(23,831)
Increase (decrease) in payables to related parties	(18,114)	40,246
Increase (decrease) in income tax payable	(19,480)	(30,936)
Increase in accrued expenses and other current liabilities	15,983	59,477
<b>Net cash provided from operating activities</b>	<u>534,186</u>	<u>87,915</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of available-for-sale financial assets	186,526	-
Returns from settlement of investees' stock under equity method	10,500	-
Additions to property, plant and equipment	(218,581)	(101,595)
Proceeds from sale of property, plant and equipment	97	-
Decrease (increase) in refundable deposits	(46)	706
<b>Net cash used in investing activities</b>	<u>(21,504)</u>	<u>(100,889)</u>
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	239,290	200,111
Issuance of corporate bond	-	700,000
Repayment of long-term loans	(73,167)	(703,250)
Decrease in refundable deposits	(1)	(2,063)
Buyback of treasury stocks	(30,842)	-
<b>Net cash provided from financing activities</b>	<u>135,280</u>	<u>194,798</u>
<b>Net increase in cash and cash in banks</b>	647,962	181,824
<b>Cash and cash in banks at beginning of period</b>	1,644,489	1,616,573
<b>Cash and cash in banks at end of period</b>	<u>\$ 2,292,451</u>	<u>1,798,397</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid*	<u>\$ 6,829</u>	<u>9,586</u>
Income tax paid	<u>\$ 61,087</u>	<u>104,962</u>
<b>Supplemental information on non-cash investing and financing activities:</b>		
Current portion of long-term debt	<u>\$ 146,333</u>	<u>146,333</u>
Unrealized valuation gain (loss) on financial instruments	<u>\$ 113,006</u>	<u>(24,801)</u>
Changes in unrealized loss on financial instruments from long-term equity investments	<u>\$ 10,350</u>	<u>86,813</u>
Cash dividends payable	<u>\$ 736,500</u>	<u>861,653</u>
Changes in capital reserve from long-term equity investments	<u>\$ 20,465</u>	<u>-</u>
<b>Cash used in acquisition of property, plant and equipment</b>		
Acquisition of property, plant and equipment	(204,540)	(115,619)
Increase (decrease) in payables on equipment	(14,041)	14,024
Payment in cash	<u>\$ (218,581)</u>	<u>(101,595)</u>

Note: Figures of 2010 were adjusted and characterized properly.