

HOLY STONE ENTERPRISE COMPANY LIMITED
Balance Sheet
December 31, 2011 and 2010
(Expressed in thousands of New Taiwan Dollars)

	12.31.2011		12.31.2010		YoY		12.31.2011		12.31.2010		YoY
	Amount	%	Amount	%	%		Amount	%	Amount	%	%
Assets						Liabilities and stockholders' equity					
Current assets:						Current liabilities:					
Cash and cash equivalents	\$ 1,703,114	13	1,644,489	12	4	Short-term loans	\$ 1,186,661	9	895,339	7	33
Financial assets at fair value through profit or loss-current	244,101	2	310,220	2	(21)	Financial liabilities at fair value through profit or loss-current	3,980	-	-	-	
Notes and accounts receivable, net	2,372,162	18	2,292,679	17	3	Notes and accounts payable	1,248,925	10	1,378,720	10	(9)
Receivables from related parties	1,166,041	9	1,047,167	8	11	Payables to related parties	66,678	1	47,818	-	39
Other financial assets - current	200,334	2	151,650	1	32	Income tax payable	10,000	-	60,875	-	(84)
Inventories, net	1,703,965	13	2,089,897	17	(18)	Accrued expenses and other current liabilities	415,717	3	425,984	3	(2)
Prepaid expenses and other current assets	31,656	-	80,907	1	(61)	Current portion of corporate bonds	567,863	4	-	-	
Noncurrent assets held for sale	30,000	-	-	-		Current portion of long-term debt	146,333	1	146,333	1	-
Total current assets	7,451,373	57	7,617,009	58	(2)	Total current liabilities	3,646,157	28	2,955,069	21	23
Funds and investments:						Long-term liabilities:					
Long-term equity investments under equity method	2,312,826	18	2,380,440	18	(3)	Corporate bonds payable	-	-	661,864	5	(100)
Available-for-sale financial assets - noncurrent	97,809	1	360,402	3	(73)	Long-term loans payable - bank	73,167	1	219,500	2	(67)
Financial assets carried at cost - noncurrent	300,000	2	300,000	2	-	Total long-term liabilities	73,167	1	881,364	7	(92)
Total funds and investments	2,710,635	21	3,040,842	23	(11)	Other liabilities:					
Property, plant and equipment:						Accrued pension liabilities	7,810	-	26,732	-	(71)
Cost:						Deferred income tax liabilities-noncurrent	47,358	-	29,597	-	60
Land	597,530	5	597,530	5	-	Other liabilities	268	-	267	-	-
Buildings	1,139,806	9	1,116,981	8	2	Total other liabilities	55,436	-	56,596	-	(2)
Machinery and equipment	1,611,809	13	1,377,575	10	17	Total liabilities	3,774,760	29	3,893,029	28	(3)
Leasing assets	47,568	-	47,568	-	-	Stockholders' equity:					
Other equipment	216,941	2	187,933	1	15	Common stock	3,202,175	25	3,202,175	24	-
Subtotal	3,613,654	29	3,327,587	24	9	Capital surplus	3,626,354	28	3,652,343	29	(1)
Less: Accumulated depreciation	(1,135,769)	(9)	(947,200)	(7)	20	Retained earnings:					
Construction in progress and prepayments for equipment	226,017	2	227,149	2	-	Legal reserve	860,061	7	776,837	6	11
Net property, plant and equipment	2,703,902	22	2,607,536	19	4	Unappropriated earnings	1,200,758	9	1,258,972	9	(5)
Other assets	1,952	-	1,938	-	1		2,060,819	16	2,035,809	15	1
						Others:					
						Cumulative translation adjustments	32,119	-	(24,681)	-	230
						Net loss not recognized as pension cost	-	-	(20,223)	-	100
						Unrealized gain or loss on financial instruments	202,477	2	528,873	4	(62)
						Treasury stock	(30,842)	-	-	-	
							203,754	2	483,969	4	(58)
						Total stockholders' equity	9,093,102	71	9,374,296	72	(3)
						Commitments and contingencies					
Total assets	\$ 12,867,862	100	13,267,325	100	(3)	Total liabilities and stockholders' equity	\$12,867,862	100	13,267,325	100	(3)

HOLY STONE ENTERPRISE COMPANY LIMITED
CONDENSED STATEMENTS OF INCOME
For the Three Months ended December 31, 2011
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	4Q 2011		3Q 2011		4Q 2010		QoQ		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$ 3,209,433	100.0	3,222,585	100.0	3,533,092	100.0	(13,152)	(0.4)	(323,659)	(9.2)
Cost of goods sold	(2,911,719)	(90.7)	(2,868,064)	(89.0)	(3,256,818)	(92.2)	(43,655)	1.5	345,099	(10.6)
Gross profit	297,714	9.3	354,521	11.0	276,274	7.8	(56,807)	(16.0)	21,440	7.8
Realized (unrealized) gross profit from affiliates	987	0.0	3,128	0.1	6,787	0.2	(2,141)	(68.4)	(5,800)	(85.5)
Realized gross profit	298,701	9.3	357,649	11.1	283,061	8.0	(58,948)	(16.5)	15,640	5.5
Operating expenses	(195,907)	(6.1)	(179,642)	(5.6)	(180,031)	(5.1)	(16,265)	9.1	(15,876)	8.8
Operating income	102,794	3.2	178,007	5.5	103,030	2.9	(75,213)	(42.3)	(236)	(0.2)
Non-operating income and gain	31,483	1.0	59,794	1.9	132,699	3.8	(28,311)	(47.3)	(101,216)	(76.3)
Non-operating expenses and losses	(11,240)	(0.4)	(44,707)	(1.4)	(74,091)	(2.1)	33,467	(74.9)	62,851	(84.8)
Income before income tax	123,037	3.8	193,094	6.0	161,638	4.6	(70,057)	(36.3)	(38,601)	(23.9)
Income tax expense	(16,761)	(0.5)	35,886	1.1	(15,253)	(0.4)	(52,647)	(146.7)	(1,508)	9.9
Net income	\$ 106,276	3.3	228,980	7.1	146,385	4.2	(122,704)	(53.6)	(40,109)	(27.4)
Earnings per share-before tax (NT Dollars)*	\$ 0.39		0.60		0.54					
Earnings per share-after tax (NT Dollars)*	\$ 0.33		0.72		0.49					

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 Twelve Months ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	2011		2010		YoY
	Amount	%	Amount	%	%
Gross sales	\$13,264,175	101	12,769,268	101	4
Less: Sales returns	(117,234)	(1)	(88,543)	(1)	32
Net sales	13,146,941	100	12,680,725	100	4
Cost of goods sold	(11,866,080)	(90)	(11,199,055)	(88)	6
Gross profit	1,280,861	10	1,481,670	12	(14)
Realized gross profit from affiliates	186	-	2,699	-	(93)
Realized gross profit	1,281,047	10	1,484,369	12	(14)
Operating expenses:					
Selling and administrative	(626,096)	(5)	(653,465)	(5)	(4)
Research and development	(103,347)	-	(117,618)	(1)	(12)
	(729,443)	(5)	(771,083)	(6)	(5)
Operating income	551,604	5	713,286	6	(23)
Non-operating income and gains:					
Interest income	9,295	-	10,396	-	(11)
Investment income recognized under equity method	160,095	1	193,853	2	(17)
Dividend income	12,020	-	14,162	-	(15)
Gain on disposal of investments, net	152,971	1	102,783	1	49
Gain on foreign exchange, net	6,515	-	-	-	
Valuation gain on financial assets	-	-	39,806	-	(100)
Others	9,016	-	10,945	-	(18)
	349,912	2	371,945	3	(6)
Non-operating expenses and losses:					
Interest expenses	(19,586)	-	(19,753)	-	(1)
Valuation loss on financial assets	(2,970)	-	-	-	
Loss on foreign exchange, net	-	-	(94,416)	(1)	100
Impairment loss	(8,928)	-	-	-	
Valuation loss on financial liabilities	(71,063)	(1)	-	-	
Others	(3,480)	-	(371)	-	838
	(106,027)	(1)	(114,540)	(1)	(7)
Income before income tax	795,489	6	970,691	8	(18)
Income tax expense	(33,979)	-	(138,457)	(1)	(75)
Net income	\$ 761,510	6	832,234	7	(8)

	Before	After	Before	After
	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>
Earnings per share (NT Dollar)				
Basic earnings per share	\$ 2.49	2.38	3.23	2.77
Diluted earnings per share	\$ 2.35	2.25	3.09	2.65

HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Changes in Stockholders' Equity
For the Twelve Months Ended December 31, 2011 and 2010
(Figures in thousand 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
Balance, January 1, 2010	\$2,872,175	2,763,032	691,876	1,373,352	34,041	(15,783)	454,949	-	8,173,642
Issuance of common stock	330,000	742,504	-	-	-	-	-	-	1,072,504
The equity component of the convertible bond-stock option	-	113,267	-	-	-	-	-	-	113,267
Net income	-	-	-	832,234	-	-	-	-	832,234
Appropriations of prior year's earnings (note 1):									
Legal capital reserve	-	-	84,961	(84,961)	-	-	-	-	-
Stock dividends of common stock	-	-	-	(861,653)	-	-	-	-	(861,653)
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	32,709	-	32,709
Changes in net loss not recognized as pension cost	-	-	-	-	-	(4,440)	-	-	(4,440)
Changes in foreign exchange gain (loss) due to the translation of foreign currency financial statements	-	-	-	-	(58,722)	-	-	-	(58,722)
Changes in equities of long-term investments	-	8,790	-	-	-	-	41,215	-	50,005
Stock-based compensation	-	24,750	-	-	-	-	-	-	24,750
Balance, December 31, 2010	3,202,175	3,652,343	776,837	1,258,972	(24,681)	(20,223)	528,873	-	9,374,296
Derecognized convertible bonds	-	(6,572)	-	-	-	-	-	-	(6,572)
Treasury stock repurchase	-	-	-	-	-	-	-	(30,842)	(30,842)
Net income	-	-	-	761,510	-	-	-	-	761,510
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	-	-	-	-	-	-	(181,268)	-	(181,268)
Changes in net loss not recognized as pension cost	-	-	-	-	-	20,223	-	-	20,223
Changes in foreign exchange gain (loss) due to the translation of foreign currency financial statements	-	-	-	-	56,800	-	-	-	56,800
Changes in equities of long-term investments	-	(19,417)	-	-	-	-	(145,128)	-	(164,545)
Balance, December 31, 2011	\$3,202,175	3,626,354	860,061	1,200,758	32,119	-	202,477	(30,842)	9,093,102

Note 1: Bonus to directors and supervisors of NT\$22,313 thousand and bonus to employees in cash of NT\$119,005 thousand have been deducted from statements of income of 2009.

Note 2: Bonus to directors and supervisors of NT\$21,931 thousand and bonus to employees in cash of NT\$116,964 thousand have been deducted from statements of income of 2010.

HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Cash Flows
For the Twelve Months ended December 31, 2011 and 2010
(Expressed in thousands of New Taiwan Dollars)

	2011	2010
Cash flows from operating activities:		
Net income	\$ 761,510	832,234
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	225,196	194,971
Allowance for doubtful accounts	-	7,240
Stock-based compensation	-	24,750
Amortization- discount on corporate bonds payable	7,948	4,445
Gain on buyback of bonds payable	(2,858)	-
Inventory valuation loss, retirement loss, and obsolescence loss	15,122	13,864
Investment gain accounted for using equity method	(160,095)	(193,853)
Dividends from investee under equity method	145,000	-
Loss on disposal of property, plant and equipment	2,630	3
Loss (gain) on long-term equity investments under equity method	(2,690)	(5,831)
Gain on disposal of investments, net	(150,281)	(96,952)
Impairment loss on non-financial assets	8,928	-
Realized gross profit	(186)	(2,699)
Deferred income tax expense	22,143	11,504
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	66,119	228,434
Notes and accounts receivable	(79,483)	(178,048)
Receivables from related parties	(118,874)	(349,553)
Other receivables - related parties	-	2,499
Inventories	370,810	(680,020)
Prepaid expenses and other current assets	33,236	(4,884)
Other financial assets - current*	(56,494)	(62,407)
Financial liabilities at fair value through profit or loss	4,343	-
Notes and accounts payable	(129,796)	344,867
Payables from related parties	18,861	29,272
Income tax payable	(50,875)	(42,039)
Accrued expenses and other current liabilities	(9,577)	2,776
Accrued pension liabilities	1,302	826
Net cash provided from operating activities*	921,939	81,399
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	218,203	111,501
Proceeds from return of capital by investees*	10,500	-
Additions to property, plant and equipment	(366,037)	(428,186)
Proceeds from sale of property, plant and equipment	2,413	16
Decrease in other receivables - related parties	-	116,479
Decrease (increase) in other assets	(14)	4,259
Net cash used in investing activities*	(134,935)	(195,931)
Cash flows from financing activities:		
Increase in short-term loans	291,322	10,081
Issuance of corporate bond	-	700,000
Redemption of bonds payable	(106,026)	-
Repayment of long-term loans	(146,333)	(776,417)
Decrease in other liabilities	-	(2,067)
Cash dividends	(736,500)	(861,653)
Issuance of common stock for cash	-	1,072,504
Cost of buyback treasury stock	(30,842)	-
Net cash provided by (used in) financing activities	(728,379)	142,448
Net decrease in cash and cash in banks	58,625	27,916
Cash and cash in banks at beginning of period	1,644,489	1,616,573
Cash and cash in banks at end of period	\$ 1,703,114	\$ 1,644,489
Supplemental disclosure of cash flow information:		
Interest paid, excluding capitalization of interest	\$ 11,660	\$ 15,188
Income tax paid	\$ 124,166	\$ 168,992
Supplemental information on non-cash investing and financing activities:		
Current portion of long-term debt	\$ 714,196	\$ 146,333
Unrealized valuation loss on financial instruments - available-for-sale	\$ 181,268	\$ (32,709)
Changes in unrealized loss (gain) on financial instruments from long-term equity investments	\$ 145,128	\$ (41,215)
Changes in capital reserve from long-term equity investments	\$ 19,417	\$ (8,790)
Cash used in acquisition of property, plant and equipment		
Acquisition of property, plant and equipment	\$ (365,533)	(459,372)
Increase (decrease) in payables on equipment	(504)	31,186
Payment in cash	\$ (366,037)	\$ (428,186)

Note: Figures of 2010 were adjusted and characterized properly.