

HOLY STONE ENTERPRISE COMPANY LIMITED
Balance Sheet
March 31, 2012 and 2011
(Expressed in thousands of New Taiwan Dollars)

	03.31.2012		03.31.2011		YoY		03.31.2012		03.31.2011		YoY
	Amount	%	Amount	%	%		Amount	%	Amount	%	%
Assets						Liabilities and stockholders' equity					
Current assets:						Current liabilities:					
Cash and cash equivalents	\$ 1,739,313	14	2,216,452	16	(22)	Short-term loans	\$ 1,402,460	11	1,374,756	10	2
Financial assets at fair value through profit or loss-current	349,258	3	287,271	2	22	Financial liabilities at fair value through profit or loss-current	1,987	-	-	-	-
Notes and accounts receivable, net	2,312,127	18	2,275,765	17	2	Notes and accounts payable	951,916	7	1,100,627	8	(14)
Receivables from related parties*	1,132,666	9	1,244,044	9	(9)	Payables to related parties	36,475	-	45,111	-	(19)
Other financial assets - current	142,410	1	146,314	1	(3)	Income tax payable	10,000	-	87,298	1	(89)
Inventories, net	1,706,436	13	1,689,769	12	1	Accrued expenses and other current liabilities	384,258	4	388,599	3	(1)
Prepaid expenses and other current assets	39,540	-	66,830	-	(41)	Current portion of corporate bonds	561,197	4	-	-	-
Total current assets	7,421,750	58	7,926,445	57	(6)	Current portion of long-term debt	146,333	1	146,333	1	-
Funds and investments:						Total current liabilities	3,494,626	27	3,142,724	23	11
Long-term equity investments under equity method	2,353,926	18	2,488,158	19	(5)	Long-term liabilities:					
Available-for-sale financial assets - noncurrent	91,109	1	300,656	2	(70)	Corporate bonds payable	-	-	663,993	5	(100)
Financial assets carried at cost - noncurrent	300,000	2	300,000	2	-	Long-term loans payable - bank	36,583	-	182,917	1	(80)
Total funds and investments	2,745,035	21	3,088,814	23	(11)	Total long-term liabilities	36,583	-	846,910	6	(96)
Property, plant and equipment:						Other liabilities:					
Cost:						Accrued pension liabilities	7,810	-	26,732	-	(71)
Land	597,530	5	597,530	4	-	Deferred income tax liabilities-noncurrent	43,584	-	33,555	-	30
Buildings	1,146,155	9	1,121,669	9	2	Other liabilities	267	-	267	-	-
Machinery and equipment	1,656,881	13	1,388,673	11	19	Total other liabilities	51,661	-	60,554	-	(15)
Leasing assets	47,568	-	47,568	-	-	Total liabilities	3,582,870	27	4,050,188	29	(12)
Other equipment	222,411	2	191,612	1	16	Stockholders' equity:					
Subtotal	3,670,545	29	3,347,052	25	10	Common stock	3,202,175	25	3,202,175	23	-
Less: Accumulated depreciation	(1,188,250)	(9)	(994,668)	(7)	19	Capital surplus	3,625,860	28	3,649,985	27	(1)
Construction in progress and prepayments for equipment	187,265	1	267,945	2	(30)	Retained earnings:					
Net property, plant and equipment	2,669,560	21	2,620,329	20	2	Legal reserve	860,061	7	776,837	6	11
Other assets	2,013	-	2,034	-	(1)	Unappropriated earnings	1,359,935	11	1,470,330	11	(8)
							2,219,996	18	2,247,167	17	(1)
						Others:					
						Cumulative translation adjustments	(5,077)	-	(16,910)	-	(70)
						Net loss not recognized as pension cost	-	-	(20,223)	-	100
						Unrealized gain or loss on financial instruments	243,376	2	547,265	4	(56)
						Treasury stock	(30,842)	-	(22,025)	-	40
							207,457	2	488,107	4	(57)
						Total stockholders' equity	9,255,488	73	9,587,434	71	(3)
						Commitments and contingencies					
Total assets	\$ 12,838,358	100	13,637,622	100	(6)	Total liabilities and stockholders' equity	\$12,838,358	100	13,637,622	100	(6)

Note: Figures of 2011 were adjusted and characterized properly.

HOLY STONE ENTERPRISE COMPANY LIMITED
CONDENSED STATEMENTS OF INCOME
For the Three Months ended March 31, 2012
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	1Q 2012		4Q 2011		1Q 2011		QoQ		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$ 2,821,608	100.0	3,209,433	100.0	3,390,700	100.0	(387,825)	(12.1)	(569,092)	(16.8)
Cost of goods sold	(2,503,068)	(88.7)	(2,911,719)	(90.7)	(3,079,617)	(90.8)	408,651	(14.0)	576,549	(18.7)
Gross profit	318,540	11.3	297,714	9.3	311,083	9.2	20,826	7.0	7,457	2.4
Realized (unrealized) gross profit from affiliates	(489)	-	987	-	3,139	0.1	(1,476)	(149.5)	(3,628)	(115.6)
Realized gross profit	318,051	11.3	298,701	9.3	314,222	9.3	19,350	6.5	3,829	1.2
Operating expenses	(168,773)	(6.0)	(195,907)	(6.1)	(177,255)	(5.2)	27,134	(13.9)	8,482	(4.8)
Operating income	149,278	5.3	102,794	3.2	136,967	4.1	46,484	45.2	12,311	9.0
Non-operating income and gain	68,170	2.4	31,483	1.0	133,158	3.9	36,687	116.5	(64,988)	(48.8)
Non-operating expenses and losses	(36,541)	(1.3)	(11,240)	(0.4)	(23,971)	(0.7)	(25,301)	225.1	(12,570)	52.4
Income before income tax	180,907	6.4	123,037	3.8	246,154	7.3	57,870	47.0	(65,247)	(26.5)
Income tax expense	(21,730)	(0.8)	(16,761)	(0.5)	(34,796)	(1.1)	(4,969)	29.6	13,066	(37.6)
Net income	<u>\$ 159,177</u>	<u>5.6</u>	<u>106,276</u>	<u>3.3</u>	<u>211,358</u>	<u>6.2</u>	<u>52,901</u>	<u>49.8</u>	<u>(52,181)</u>	<u>(24.7)</u>
Earnings per share-before tax (NT Dollars)*	<u>\$ 0.57</u>		<u>0.39</u>		<u>0.77</u>					
Earnings per share-after tax (NT Dollars)*	<u>\$ 0.50</u>		<u>0.33</u>		<u>0.66</u>					

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 Three Months ended March 31, 2012 and 2011
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	1Q 2012		1Q 2011		YoY
	Amount	%	Amount	%	%
Gross sales	\$ 2,849,331	101	3,407,801	101	(16)
Less: Sales returns	(27,723)	(1)	(17,101)	(1)	62
Net sales	2,821,608	100	3,390,700	100	(17)
Cost of goods sold	(2,503,068)	(89)	(3,079,617)	(91)	(19)
Gross profit	318,540	11	311,083	9	2
Add (less): (Un)realized gross profit from affiliates	(489)	-	3,139	-	(116)
Realized gross profit	318,051	11	314,222	9	1
Operating expenses:					
Selling and administrative	(140,888)	(5)	(149,724)	(4)	(6)
Research and development	(27,885)	(1)	(27,531)	(1)	1
	(168,773)	(6)	(177,255)	(5)	(5)
Operating income	149,278	5	136,967	4	9
Non-operating income and gains:					
Interest income	2,481	-	2,630	-	(6)
Investment income recognized under equity method	38,316	1	47,286	1	(19)
Dividend income	2,625	-	2,644	-	(1)
Gain on disposal of investments, net	-	-	78,253	2	(100)
Gain on foreign exchange, net	-	-	284	-	(100)
Valuation gain on financial assets	20,143	1	-	-	
Valuation gain on financial liabilities	1,857	-	-	-	
Others	2,748	-	2,061	-	33
	68,170	2	133,158	3	(49)
Non-operating expenses and losses:					
Interest expenses	(5,376)	-	(5,476)	-	(2)
Loss on foreign exchange, net	(30,249)	(1)	-	-	
Valuation loss on financial assets	-	-	(18,095)	(1)	100
Others	(916)	-	(400)	-	129
	(36,541)	(1)	(23,971)	(1)	52
Income before income tax	180,907	6	246,154	6	(27)
Income tax expense	(21,730)	(1)	(34,796)	(1)	(38)
Net income	\$ 159,177	5	211,358	5	(25)

	Before income tax	After income tax	Before income tax	After income tax
Earnings per share (NT Dollar)				
Basic earnings per share	\$ 0.57	0.50	0.77	0.66
Diluted earnings per share	\$ 0.54	0.47	0.73	0.62

HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Cash Flows
For the Three Months ended March 31, 2012 and 2011
(Expressed in thousands of New Taiwan Dollars)

	1Q 2012	1Q 2011
Cash flows from operating activities:		
Net income	\$ 159,177	211,358
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	58,522	48,933
Amortization- discount on corporate bonds payable	1,785	2,129
Inventory valuation loss, retirement loss, and obsolescence loss (reversal gain)	(3,149)	9,963
Investment gain accounted for using equity method	(38,316)	(47,286)
Loss (gain) on disposal of property, plant and equipment	(68)	301
Gain on disposal of investments	-	(78,253)
Unrealized (realized) gain or loss from affiliates	489	(3,139)
Deferred income tax expense (gain)	(5,565)	8,299
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss*	(105,157)	22,949
Notes and accounts receivable	60,035	16,914
Receivables from related parties	34,968	(197,659)
Other receivables - related parties	(1,593)	782
Other financial assets - current	57,924	5,336
Inventories	678	390,165
Prepaid expenses and other current assets	1,526	8,145
Financial liabilities at fair value through profit or loss	(1,963)	-
Notes and accounts payable	(297,009)	(278,093)
Payables from related parties	(30,203)	(2,707)
Income tax payable	-	26,423
Accrued expenses and other current liabilities	(17,355)	(31,254)
Net cash provided from (used in) operating activities	(125,274)	113,306
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	-	102,963
Additions to property, plant and equipment	(48,251)	(87,072)
Proceeds from sale of property, plant and equipment	39,546	28
Increase in other assets	(61)	(96)
Net cash provided from (used in) investing activities	(8,766)	15,823
Cash flows from financing activities:		
Increase in short-term loans	215,799	479,417
Redemption of bonds payable	(8,975)	-
Repayment of long-term loans	(36,584)	(36,583)
Decrease in other liabilities	(1)	-
Net cash provided by (used in) financing activities	170,239	442,834
Net decrease in cash and cash in banks	36,199	571,963
Cash and cash in banks at beginning of period	1,703,114	1,644,489
Cash and cash in banks at end of period	\$ 1,739,313	2,216,452
Supplemental disclosure of cash flow information:		
Interest paid, excluding capitalization of interest*	\$ 3,216	2,877
Income tax paid	\$ 92	75
Supplemental information on non-cash investing and financing activities:		
Current portion of long-term debt	\$ 707,530	146,333
Unrealized valuation loss on financial instruments	\$ 6,700	32,936
Changes in unrealized gain on financial instruments from long-term equity investments	\$ (47,599)	(51,328)
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		
Increase in acquisition of property, plant and equipment	\$ (33,658)	(62,154)
Increase (decrease) in payables on equipment	(14,593)	(24,918)
Payment in cash	\$ (48,251)	(87,072)

Note: Figures of 2011 were adjusted and characterized properly.