

HOLY STONE ENTERPRISE COMPANY LIMITED
Balance Sheet
June 30, 2012 and 2011
(Expressed in thousands of New Taiwan Dollars)

	06.30.2012		06.30.2011		YoY		06.30.2012		06.30.2011		YoY
	Amount	%	Amount	%	%		Amount	%	Amount	%	%
Assets						Liabilities and stockholders' equity					
Current assets:						Current liabilities:					
Cash and cash equivalents	\$ 1,771,472	14	2,292,451	17	(23)	Short-term loans	\$ 1,322,215	10	1,134,629	8	17
Financial assets at fair value through profit or loss-current	380,867	3	252,685	2	51	Financial liabilities at fair value through profit or loss-current	1,533	-	-	-	-
Notes and accounts receivable, net	2,432,089	19	2,387,492	18	2	Notes and accounts payable	1,161,241	10	1,244,298	9	(7)
Receivables from related parties*	1,041,576	8	1,105,191	8	(6)	Payables to related parties	57,783	-	29,704	-	95
Other financial assets - current	116,069	1	151,066	1	(23)	Income tax payable	10,000	-	41,395	-	(76)
Inventories, net	1,706,486	3	1,753,398	13	(3)	Accrued expenses and other current liabilities	431,073	3	431,855	3	-
Prepaid expenses and other current assets	40,311	-	69,303	1	(42)	Dividends payable	638,709	5	736,500	5	(13)
Total current assets	7,488,870	58	8,011,586	60	(7)	Current portion of corporate bonds	100,859	1	666,122	5	(85)
Funds and investments:						Current portion of long-term debt	146,333	1	146,333	1	-
Long-term equity investments under equity method	2,288,035	18	2,322,714	18	(1)	Total current liabilities	3,869,746	30	4,430,836	31	(13)
Available-for-sale financial assets - noncurrent	98,504	1	177,516	1	(45)	Long-term liabilities:					
Financial assets carried at cost - noncurrent	300,000	2	300,000	2	-	Long-term loans payable - bank	150,000	1	146,333	1	3
Total funds and investments	2,686,539	21	2,800,230	21	(4)	Total long-term liabilities	150,000	1	146,333	1	3
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	49,104	-	33,356	-	47
Buildings	1,173,959	9	1,122,280	8	5	Other liabilities	268	-	266	-	-
Machinery and equipment	1,731,791	14	1,584,451	12	9	Total other liabilities	57,182	-	60,354	-	(5)
Leasing assets	47,568	-	47,568	-	-	Total liabilities	4,076,928	31	4,637,523	32	(12)
Other equipment	230,484	2	200,839	1	15	Stockholders' equity:					
Subtotal	3,781,332	30	3,552,668	25	6	Common stock	3,202,175	25	3,202,175	24	-
Less: Accumulated depreciation	(1,233,665)	(10)	(1,050,469)	(8)	17	Capital surplus	3,621,180	28	3,631,878	27	-
Construction in progress and prepayments for equipment	109,084	1	204,649	2	(47)	Retained earnings:					
Net property, plant and equipment	2,656,751	21	2,706,848	19	(2)	Legal reserve	936,212	8	860,061	7	9
Other assets	2,038	-	1,984	-	3	Unappropriated earnings	805,323	6	865,502	6	(7)
							1,741,535	14	1,725,563	13	1
						Others:					
						Cumulative translation adjustments	11,684	-	(30,943)	-	(138)
						Net loss not recognized as pension cost	-	-	(20,223)	-	100
						Unrealized gain or loss on financial instruments	211,538	2	405,517	4	(48)
						Treasury stock	(30,842)	-	(30,842)	-	-
							192,380	2	323,509	4	(41)
						Total stockholders' equity	8,757,270	69	8,883,125	68	(1)
						Commitments and contingencies					
Total assets	\$ 12,834,198	100	13,520,648	100	(5)	Total liabilities and stockholders' equity	\$12,834,198	100	13,520,648	100	(5)

Note: Figures of 2011 were adjusted and characterized properly.

HOLY STONE ENTERPRISE COMPANY LIMITED
CONDENSED STATEMENTS OF INCOME
For the Three Months ended June 30, 2012
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	2Q 2012		1Q 2012		2Q 2011		QoQ		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$ 3,139,605	100.0	2,821,608	100.0	3,324,223	100.0	317,997	11.3	(184,618)	(5.6)
Cost of goods sold	(2,770,616)	(88.2)	(2,503,068)	(88.7)	(3,006,680)	(90.4)	(267,548)	10.7	236,064	(7.9)
Gross profit	368,989	11.8	318,540	11.3	317,543	9.6	50,449	15.8	51,446	16.2
Realized (unrealized) gross profit from affiliates	(2,253)	(0.1)	(489)	-	(7,068)	(0.2)	(1,764)	360.7	4,815	(68.1)
Realized gross profit	366,736	11.7	318,051	11.3	310,475	9.4	48,685	15.3	56,261	18.1
Operating expenses	(187,811)	(6.0)	(168,773)	(6.0)	(176,639)	(5.3)	(19,038)	11.3	(11,172)	6.3
Operating income	178,925	5.7	149,278	5.3	133,836	4.1	29,647	19.9	45,089	33.7
Non-operating income and gain	35,303	1.1	68,170	2.4	125,477	3.8	(32,867)	(48.2)	(90,174)	(71.9)
Non-operating expenses and losses	(21,220)	(0.7)	(36,541)	(1.3)	(26,109)	(0.8)	15,321	(41.9)	4,889	(18.7)
Income before income tax	193,008	6.1	180,907	6.4	233,204	7.1	12,101	6.7	(40,196)	(17.2)
Income tax expense	(32,760)	(1.0)	(21,730)	(0.8)	(18,308)	(0.6)	(11,030)	50.8	(14,452)	78.9
Net income	\$ 160,248	5.1	159,177	5.6	214,896	6.5	1,071	0.7	(54,648)	(25.4)
Earnings per share-before tax (NT Dollars)*	\$ 0.60		0.57		0.73					
Earnings per share-after tax (NT Dollars)*	\$ 0.50		0.50		0.67					

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, 2012 and 2011
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	1H 2012		1H 2011		YoY
	Amount	%	Amount	%	%
Gross sales	\$ 6,031,572	101	6,752,842	101	(11)
Less: Sales returns	(70,359)	(1)	(37,919)	(1)	86
Net sales	5,961,213	100	6,714,923	100	(11)
Cost of goods sold	(5,273,684)	(89)	(6,086,297)	(91)	(13)
Gross profit	687,529	11	628,626	9	9
Add (less): (Un)realized gross profit from affiliates	(2,742)	-	(3,929)	-	(30)
Realized gross profit	684,787	11	624,697	9	10
Operating expenses:					
Selling and administrative	(297,275)	(5)	(301,898)	(4)	(2)
Research and development	(59,309)	(1)	(51,996)	(1)	14
	(356,584)	(6)	(353,894)	(5)	1
Operating income	328,203	5	270,803	4	21
Non-operating income and gains:					
Interest income	5,775	-	4,176	-	38
Investment income recognized under equity method	60,713	1	112,231	2	(46)
Dividend income	5,687	-	5,282	-	8
Gain on disposal of investments, net	-	-	132,739	2	(100)
Valuation gain on financial assets	21,628	-	-	-	
Others	9,670	-	4,207	-	130
	103,473	1	258,635	4	(60)
Non-operating expenses and losses:					
Interest expenses	(10,939)	-	(12,163)	-	(10)
Loss on foreign exchange, net	(20,231)	-	(26,799)	-	(25)
Valuation loss on financial assets	-	-	(10,626)	-	100
Valuation loss on financial liabilities	(12,221)	-	-	-	
Others	(14,370)	-	(492)	-	2,821
	(57,761)	-	(50,080)	-	15
Income before income tax	373,915	6	479,358	8	(22)
Income tax expense	(54,490)	(1)	(53,104)	(1)	3
Net income	\$ 319,425	5	426,254	7	(25)

Earnings per share (NT Dollar)	Before	After	Before	After
	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>	<u>income tax</u>
Basic earnings per share	\$ 1.17	1.00	1.50	1.33
Diluted earnings per share	\$ 1.11	0.95	1.41	1.26

HOLY STONE ENTERPRISE COMPANY LIMITED

STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

For the Six Months Ended June 30, 2012 and 2011

(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
Balance, January 1, 2011	\$ 3,202,175	3,652,343	776,837	1,258,972	(24,681)	(20,223)	528,873	-	9,374,296
Repurchase of treasury stock	-	-	-	-	-	-	-	(30,842)	(30,842)
Net income	-	-	-	426,254	-	-	-	-	426,254
Appropriations of prior year's earnings (Note 1):									
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)
Balance, June 30, 2011	\$ 3,202,175	3,631,878	860,061	865,502	(30,943)	(20,223)	405,517	(30,842)	8,883,125
Balance, January 1, 2012	\$ 3,202,175	3,626,354	860,061	1,200,758	32,119	-	202,477	(30,842)	9,093,102
Repurchase of treasury stock	-	(5,174)	-	-	-	-	-	-	(5,174)
Net income	-	-	-	319,425	-	-	-	-	319,425
Appropriations of prior year's earnings (Note 2):									
Legal capital reserve	-	-	76,151	(76,151)	-	-	-	-	-
Cash dividends of common stock	-	-	-	(638,709)	-	-	-	-	(638,709)
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	695	-	695
Changes in foreign exchange gain (loss) due to the translation of foreign currency financial statements	-	-	-	-	(20,435)	-	-	-	(20,435)
Changes in equities of long-term investments	-	-	-	-	-	-	8,366	-	8,366
Balance, June 30, 2012	\$ 3,202,175	3,621,180	936,212	805,323	11,684	-	211,538	(30,842)	8,757,270

Note 1: Compensations of NT\$21,931 thousand for directors and supervisors and NT\$116,964 thousand for employees have been deducted from Statements of Income.

Note 2: Compensations of NT\$19,818 thousand for directors and supervisors and NT\$105,693 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, 2012 and 2011
(Expressed in thousands of New Taiwan Dollars)

	1H 2012	1H 2011
Cash flows from operating activities:		
Net income	\$ 319,425	426,254
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	122,448	104,832
Amortization- discount on corporate bonds payable	3,548	4,258
Inventory valuation loss, retirement loss, and obsolescence loss (reversal gain)	30,733	7,593
Investment gain accounted for using equity method	(60,713)	(112,231)
Cash dividends from investees' under equity method	69,250	145,000
Loss (gain) on disposal of property, plant and equipment	(894)	299
Gain on disposal of investments, net	-	(132,739)
Unrealized gain from affiliates	2,742	3,929
Deferred income tax expense (gain)	(3,445)	14,558
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(136,765)	57,535
Notes and accounts receivable	(59,927)	(94,813)
Receivables from related parties	124,465	(58,024)
Other financial assets - current	84,265	(7,226)
Inventories	(33,254)	328,906
Prepaid expenses and other current assets	721	2,088
Financial liabilities at fair value through profit or loss	1,795	-
Notes and accounts payable	(87,684)	(134,422)
Payables from related parties	(8,895)	(18,114)
Income tax payable	-	(19,480)
Accrued expenses and other current liabilities	30,246	15,983
Net cash provided from (used in) operating activities	398,061	534,186
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	-	186,526
Return fund from invested company under equity method	-	10,500
Proceeds from sale of available-for-sale non-current assets	30,000	-
Additions to property, plant and equipment	(126,387)	(218,581)
Proceeds from sale of property, plant and equipment	34,351	97
Increase in refundable deposits	(86)	(46)
Net cash provided from (used in) investing activities	(62,122)	(21,504)
Cash flows from financing activities:		
Increase in short-term loans	135,554	239,290
Redemption of bonds payable	(479,968)	-
Borrowing of long-term loans	150,000	-
Repayment of long-term loans	(73,167)	(73,167)
Decrease in deposits received	-	(1)
Treasury stock buyback	-	(30,842)
Net cash provided by (used in) financing activities	(267,581)	135,280
Net decrease in cash and cash in banks	68,358	647,962
Cash and cash in banks at beginning of period	1,703,114	1,644,489
Cash and cash in banks at end of period	\$ 1,771,472	\$ 2,292,451
Supplemental disclosure of cash flow information:		
Interest paid for the current period	\$ 7,657	\$ 6,829
Income tax paid	\$ 193	\$ 61,087
Supplemental information on non-cash investing and financing activities:		
Current portion of long-term debt	\$ 146,333	\$ 146,333
Unrealized valuation loss (gain) on financial instruments	\$ (695)	\$ 113,006
Changes in unrealized loss (gain) on financial instruments from long-term equity investments	\$ (8,366)	\$ 10,350
Payables in cash dividend	\$ 638,709	\$ 736,500
Changes in capital reserve from long-term equity investments	\$ -	\$ 20,465
Cash used in acquisition of property, plant and equipment		
Increase in acquisition of property, plant and equipment	\$ (108,754)	(204,540)
Increase (decrease) in payables on equipment	(17,633)	(14,041)
Payment in cash	\$ (126,387)	\$ (218,581)