

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

	9.30.2012		9.30.2011		YoY		9.30.2012		9.30.2011		YoY
	Amount	%	Amount	%	%		Amount	%	Amount	%	%
Assets						Liabilities and stockholders' equity					
Current assets:						Current liabilities:					
Cash and cash equivalents	\$ 1,512,798	12	1,043,039	8	45	Short-term loans	\$ 1,579,484	13	1,100,865	9	43
Financial assets at fair value through profit or loss-	375,430	3	270,345	2	39	Financial liabilities at fair value through profit or loss-	1,633	-	46,157	-	(96)
Notes and accounts receivable, net	2,512,680	20	2,527,053	20	(1)	Notes and accounts payable	1,137,406	9	1,177,338	9	(3)
Receivables from related parties	1,007,075	8	1,287,224	10	(22)	Payables to related parties	75,417	1	52,409	-	44
Other financial assets - current	98,842	1	212,996	2	(54)	Income tax payable	53,182	-	-	-	-
Inventories, net	1,685,597	14	1,768,477	14	(5)	Accrued expenses and other current liabilities	364,077	3	373,462	3	(3)
Prepaid expenses and other current assets	44,390	-	53,752	-	(17)	Current portion of Corporate bonds	101,079	1	576,008	5	(82)
Total current assets	7,236,812	58	7,162,886	56	1	Current portion of long-term debt	109,750	1	146,333	1	(25)
Funds and investments:						Total current liabilities	3,422,028	28	3,472,572	27	(1)
Long-term equity investments under equity method	2,306,180	18	2,378,273	19	(3)	Long-term liabilities:					
Available-for-sale financial assets - noncurrent	100,932	1	131,100	1	(23)	Long-term loans payable - bank	150,000	1	109,750	1	37
Financial assets carried at cost - noncurrent	300,000	2	300,000	2	-	Total long-term liabilities	150,000	1	109,750	1	37
Total funds and investments	2,707,112	21	2,809,373	22	(4)	Other liabilities:					
Property, plant and equipment:						Accrued pension liabilities	7,810	-	26,731	-	(71)
Cost:						Deferred income tax liabilities-noncurrent	46,866	-	46,418	-	1
Land	597,530	5	597,530	5	-	Other liabilities	267	-	269	-	(1)
Buildings	1,174,949	9	1,138,630	9	3	Total other liabilities	54,943	-	73,418	-	(25)
Machinery and equipment	1,782,238	14	1,617,367	13	10	Total liabilities	3,626,971	29	3,655,740	28	(1)
Leasing assets	47,568	-	47,568	-	-	Stockholders' equity:					
Other equipment	234,254	2	218,076	2	7	Common stock	3,202,175	25	3,202,175	25	-
Subtotal	3,836,539	30	3,619,171	29	6	Capital surplus	3,622,779	29	3,626,842	29	-
Less: Accumulated depreciation	(1,290,315)	(10)	(1,107,581)	(9)	16	Retained earnings:					
Construction in progress and prepayments for equipment	93,141	1	248,494	2	(63)	Legal reserve	936,212	7	860,061	7	9
Net property, plant and equipment	2,639,365	21	2,760,084	22	(4)	Unappropriated earnings	1,007,202	8	1,094,482	9	(8)
Other assets	2,038	-	1,985	-	3		1,943,414	15	1,954,543	16	(1)
						Others:					
						Cumulative translation adjustments	224	-	37,910	-	(99)
						Net loss not recognized as pension cost	-	-	(20,223)	-	100
						Unrealized gain or loss on financial instruments	220,606	2	308,183	2	(28)
						Treasury stock	(30,842)	-	(30,842)	-	-
						Total stockholders' equity	8,958,356	71	9,078,588	72	(1)
						Commitments and contingencies					
Total assets	\$ 12,585,327	100	12,734,328	100	(1)	Total liabilities and stockholders' equity	\$12,585,327	100	12,734,328	100	(1)

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

	3Q 2012		2Q 2012		3Q 2011		QoQ		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$ 3,383,616	100.0	3,139,605	100.0	3,222,585	100.0	244,011	7.8	161,031	5.0
Cost of goods sold	(2,968,664)	(87.7)	(2,770,616)	(88.2)	(2,868,064)	(89.0)	(198,048)	7.1	(100,600)	3.5
Gross profit	414,952	12.3	368,989	11.8	354,521	11.0	45,963	12.5	60,431	17.0
Realized (unrealized) gross profit from affiliates	(120)	(0.0)	(2,253)	(0.1)	3,128	0.1	2,133	(94.7)	(3,248)	(103.8)
Realized gross profit	414,832	12.3	366,736	11.7	357,649	11.1	48,096	13.1	57,183	16.0
Operating expenses	(191,604)	(5.7)	(187,811)	(6.0)	(179,642)	(5.6)	(3,793)	2.0	(11,962)	6.7
Operating income	223,228	6.6	178,925	5.7	178,007	5.5	44,303	24.8	45,221	25.4
Non-operating income and gain	51,929	1.5	35,303	1.1	59,794	1.9	16,626	47.1	(7,865)	(13.2)
Non-operating expenses and losses	(32,003)	(0.9)	(21,220)	(0.7)	(44,707)	(1.4)	(10,783)	50.8	12,704	(28.4)
Income before income tax	243,154	7.2	193,008	6.1	193,094	6.0	50,146	26.0	50,060	25.9
Income tax expense	(41,275)	(1.2)	(32,760)	(1.0)	35,886	1.1	(8,515)	26.0	(77,161)	(215.0)
Net income	<u>\$ 201,879</u>	<u>6.0</u>	<u>160,248</u>	<u>5.1</u>	<u>228,980</u>	<u>7.1</u>	<u>41,631</u>	<u>26.0</u>	<u>(27,101)</u>	<u>(11.8)</u>
Earnings per share-before tax (NT Dollars)*	<u>\$ 0.76</u>		<u>0.60</u>		<u>0.60</u>					
Earnings per share-after tax (NT Dollars)*	<u>\$ 0.63</u>		<u>0.50</u>		<u>0.72</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 Nine Months ended September 30, 2012 and 2011
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	2012		2011		YoY
	Amount	%	Amount	%	%
Gross sales	\$ 9,436,521	101	10,007,426	101	(6)
Less: Sales returns	(91,692)	(1)	(69,918)	(1)	31
Net sales	9,344,829	100	9,937,508	100	(6)
Cost of goods sold	(8,242,348)	(88)	(8,954,361)	(90)	(8)
Gross profit	1,102,481	12	983,147	10	12
Unrealized gross profit from affiliates	(2,862)	-	(801)	-	257
Realized gross profit	1,099,619	12	982,346	10	12
Operating expenses:					
Selling and administrative	(455,977)	(5)	(455,349)	(4)	-
Research and development	(92,211)	(1)	(78,187)	(1)	18
	(548,188)	(6)	(533,536)	(5)	3
Operating income	551,431	6	448,810	5	23
Non-operating income and gains:					
Interest income	8,828	-	6,766	-	30
Investment income recognized under equity method	84,427	1	135,742	1	(38)
Dividend income	9,453	-	9,226	-	2
Gain on disposal of investments, net	-	-	140,903	1	(100)
Gain on foreign exchange, net	-	-	17,856	-	(100)
Valuation gain on financial assets	41,262	-	-	-	
Others	11,432	-	7,936	-	44
	155,402	1	318,429	2	(51)
Non-operating expenses and losses:					
Interest expenses	(15,214)	-	(16,162)	-	(6)
Loss on foreign exchange, net	(42,619)	-	-	-	
Valuation loss on financial assets	-	-	(2,732)	-	100
Valuation loss on financial liabilities	(17,332)	-	(72,739)	(1)	(76)
Others	(14,599)	-	(3,154)	-	363
	(89,764)	-	(94,787)	(1)	(5)
Income before income tax	617,069	7	672,452	6	(8)
Income tax expense	(95,765)	(1)	(17,218)	-	456
Net income	\$ 521,304	6	655,234	6	(20)

Earnings per share (NT Dollar)

Basic earnings per share

Diluted earnings per share

	Before	After	Before	After
	income tax	income tax	income tax	income tax
	\$ 1.93	1.63	2.1	2.05
	\$ 1.85	1.56	1.98	1.93

HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Cash Flows
For the Nine Months ended September 30, 2012 and 2011
(Expressed in thousands of New Taiwan Dollars)

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Net income	\$ 521,304	655,234
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	187,217	163,486
Amortization- discount on corporate bonds payable	3,865	6,138
Loss (gain) on expiration of bonds payable*	8,459	(2,647)
Inventory valuation loss*	28,451	12,175
Investment gain accounted for using equity method	(84,427)	(135,742)
Dividends from investee under equity method	69,250	145,000
Loss (gain) on disposal of property, plant and equipment	(1,096)	2,374
Gain on disposal of investments, net	-	(140,903)
Realized gain from inter-affiliate accounts	2,862	801
Deferred income tax expense (income)	(9,336)	20,278
Changes in operating assets and liabilities:		
Financial assets at fair value through profit or loss	(131,329)	40,171
Notes and accounts receivable	(140,517)	(234,374)
Receivables from related parties	158,966	(240,057)
Other financial assets - current	101,492	(69,156)
Inventories	(10,083)	309,246
Prepaid expenses and other current assets	2,642	10,878
Financial liabilities at fair value through profit or loss	1,896	46,157
Notes and accounts payable	(111,519)	(201,382)
Payables from related parties	8,739	4,591
Income tax payable	43,182	(60,875)
Accrued expenses and other current liabilities	(30,892)	(50,759)
Net cash provided from operating activities	<u>619,126</u>	<u>280,634</u>
Cash flows from investing activities:		
Proceeds from sale of available-for-sale financial assets	-	195,692
Proceeds from return of capital by investees under equity method	-	10,500
Proceeds from sale of non-current assets held for sale	30,000	-
Additions to property, plant and equipment	(181,011)	(326,132)
Proceeds from sale of property, plant and equipment	35,816	2,377
Increase in other assets	(86)	(47)
Net cash used in investing activities	<u>(115,281)</u>	<u>(117,610)</u>
Cash flows from financing activities:		
Increase in short-term loans	392,823	205,526
Redemption of corporate bond*	(488,524)	(92,908)
Proceeds from long-term borrowings	150,000	-
Repayment of long-term loans	(109,750)	(109,750)
Decrease in other liabilities	(1)	-
Cash dividends	(638,709)	(736,500)
Cost of buyback treasury stock	-	(30,842)
Net cash used in financing activities	<u>(694,161)</u>	<u>(764,474)</u>
Net decrease in cash and cash in banks	(190,316)	(601,450)
Cash and cash in banks at beginning of period	1,703,114	1,644,489
Cash and cash in banks at end of period	<u>\$ 1,512,798</u>	<u>1,043,039</u>
Supplemental disclosure of cash flow information:		
Interest paid*	<u>\$ 10,602</u>	<u>10,358</u>
Income tax paid	<u>\$ 464</u>	<u>123,989</u>
Supplemental information on non-cash investing and financing activities:		
Current portion of long-term debt	<u>\$ 109,750</u>	<u>146,333</u>
Unrealized valuation loss (gain) on financial instruments*	<u>\$ (3,123)</u>	<u>(158,420)</u>
Changes in unrealized loss (gain) on financial instruments from long-term equity investments	<u>\$ (15,006)</u>	<u>(62,270)</u>
Changes in capital reserve from long-term equity investments	<u>\$ (1,598)</u>	<u>(6,049)</u>
Cash used in acquisition of property, plant and equipment		
Acquisition of property, plant and equipment	\$ (157,401)	(320,785)
Increase (decrease) in payables on equipment	(23,610)	(5,347)
Payment in cash	<u>\$ (181,011)</u>	<u>(326,132)</u>

Note: Figures of 2011 were adjusted and characterized properly.