

# HOLY STONE ENTERPRISE COMPANY LIMITED

## Balance Sheets

June 30, 2009 and 2008

(Expressed in thousands of New Taiwan Dollars)

	6.30.2009		6.30.2008		YoY		6.30.2009		6.30.2008		YoY
	Amount	%	Amount	%	%		Amount	%	Amount	%	%
<b>Assets</b>						<b>Liabilities and stockholders' equity</b>					
<b>Current assets:</b>						<b>Current liabilities:</b>					
Cash and cash in banks	\$1,156,741	10	654,052	6	77	Short-term loans	\$501,557	4	647,617	6	(23)
Financial assets at fair value through profit or loss-current*	915,281	8	450,460	4	103	Financial assets at fair value through profit or loss-current	1,831	-	-	-	
Notes and accounts receivable, net	2,298,344	22	2,565,606	24	(10)	Notes and Accounts Payable	1,090,951	10	1,179,525	11	(8)
Receivables from related parties	692,168	6	826,272	8	(16)	Payables to related parties	26,262	-	37,438	-	(30)
Other financial assets-current*	141,069	1	169,734	2	(17)	Income tax payable	78,509	1	99,506	1	(21)
Inventories, net	948,262	8	1,546,161	14	(39)	Accrued expenses and other current liabilities	398,240	3	392,877	4	1
Prepaid expenses and other current assets	120,476	1	144,088	1	(16)	Dividends payable	449,033	4	811,055	8	(45)
<b>Total current assets</b>	<b>6,272,341</b>	<b>56</b>	<b>6,356,373</b>	<b>59</b>	<b>(1)</b>	Current portion of bonds payable	-	-	201,900	2	(100)
<b>Funds and investments:</b>						Current portion of long-term debt	51,000	-	-	-	
Available-for-sale financial assets-noncurrent*	268,047	2	328,553	3	(18)	<b>Total current liabilities</b>	<b>2,597,383</b>	<b>22</b>	<b>3,369,918</b>	<b>32</b>	<b>(23)</b>
Financial assets carried at cost-noncurrent*	300,000	3	300,000	3	0	<b>Long-term liabilities</b>	<b>1,116,750</b>	<b>10</b>	<b>99,000</b>	<b>1</b>	<b>1,028</b>
Long-term equity investments under equity method	1,952,058	18	1,562,276	15	25	<b>Other liabilities:</b>					
<b>Total funds and investments</b>	<b>2,520,105</b>	<b>23</b>	<b>2,190,829</b>	<b>21</b>	<b>15</b>	Accrued pension liabilities	12,740	-	6,442	-	98
<b>Property, plant and equipment:</b>						Other liabilities	272	-	269	-	1
Land	460,179	4	440,783	4	4	<b>Total other liabilities</b>	<b>13,012</b>	<b>-</b>	<b>6,711</b>	<b>-</b>	<b>94</b>
Buildings	756,086	7	777,312	7	(3)	<b>Total liabilities</b>	<b>3,727,145</b>	<b>32</b>	<b>3,475,629</b>	<b>33</b>	<b>7</b>
Machinery and equipment	1,400,632	13	1,384,471	13	1	<b>Stockholders' equity:</b>					
Leasing assets	47,568	-	71,071	1	(33)	Capital Stock:					
Other equipment	236,947	2	271,359	3	(13)	Common stock	2,806,456	25	2,703,953	25	4
Subtotal	2,901,412	26	2,944,996	28	(1)	Stock dividend to be distributed	65,719	1	83,535	1	(21)
Less: Accumulated depreciation	(847,805)	(8)	(933,208)	(9)	(9)		<b>2,872,175</b>	<b>26</b>	<b>2,787,488</b>	<b>26</b>	<b>3</b>
Construction in progress and prepayments for equipment	339,786	3	130,639	1	160	Capital surplus	2,756,132	25	2,822,716	26	(2)
<b>Net property, plant and equipment</b>	<b>2,393,393</b>	<b>21</b>	<b>2,142,427</b>	<b>20</b>	<b>12</b>	Retained earnings:					
<b>Other assets</b>	<b>6,802</b>	<b>-</b>	<b>7,085</b>	<b>-</b>	<b>(4)</b>	Legal reserve	691,876	6	624,427	6	11
						Unappropriated earnings	957,628	9	839,506	8	14
							<b>1,649,504</b>	<b>15</b>	<b>1,463,933</b>	<b>14</b>	<b>13</b>
						Others:					
						Cumulative translation adjustments	68,797	1	(8,291)	-	(930)
						Net loss unrecognized as pension cost	(6,406)	-	-	-	
						Unrealized gain or loss on financial instruments	125,294	1	155,239	1	(19)
							<b>187,685</b>	<b>2</b>	<b>146,948</b>	<b>1</b>	<b>28</b>
						<b>Total stockholders' equity</b>	<b>7,465,496</b>	<b>68</b>	<b>7,221,085</b>	<b>67</b>	<b>3</b>
						<b>Commitments and contingencies</b>					
<b>Total assets</b>	<b>\$11,192,641</b>	<b>100</b>	<b>10,696,714</b>	<b>100</b>	<b>5</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$11,192,641</b>	<b>100</b>	<b>10,696,714</b>	<b>100</b>	<b>5</b>

Note: Figures of 2008 were adjusted and characterized properly.

**HOLY STONE ENTERPRISE COMPANY LIMITED**  
**Statements of Income**  
**For the three months ended June 30, 2009**  
**(Expressed in thousands of New Taiwan Dollars, except earnings per share)**

	2Q 2009		1Q 2009		2Q 2008		QoQ		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$3,058,847	100.0	2,214,015	100.0	3,249,358	100.0	844,832	38.2	(190,511)	(5.9)
Cost of goods sold (Note 1)	(2,649,292)	(86.6)	(1,927,948)	(87.1)	(2,871,099)	(88.4)	(721,344)	37.4	221,807	(7.7)
Gross profit	409,555	13.4	286,067	12.9	378,259	11.6	123,488	43.2	31,296	8.3
Unrealized gross profit from affiliates	3,524	0.1	8,481	0.4	(1,900)	(0.1)	(4,957)	(58.4)	5,424	(285.5)
Realized gross profit	413,079	13.5	294,548	13.3	376,359	11.6	118,531	40.2	36,720	9.8
Operating expenses	(180,008)	(5.9)	(145,624)	(6.6)	(185,619)	(5.7)	(34,384)	23.6	5,611	(3.0)
Operating income	233,071	7.6	148,924	6.7	190,740	5.9	84,147	56.5	42,331	22.2
Non-operating income and gain (Note 1)	80,675	2.6	95,228	4.3	63,221	1.9	(14,553)	(15.3)	17,454	27.6
Non-operating expenses and losses (Note 1)	(2,634)	(0.1)	(33,652)	(1.5)	5,016	0.2	31,018	(92.2)	(7,650)	(152.5)
Income before income tax	311,112	10.2	210,500	9.5	258,977	8.0	100,612	47.8	52,135	20.1
Income tax expense	(63,429)	(2.1)	(24,296)	(1.1)	(54,017)	(1.7)	(39,133)	161.1	(9,412)	17.4
Net income	<u>\$ 247,683</u>	<u>8.1</u>	<u>186,204</u>	<u>8.4</u>	<u>204,960</u>	<u>6.3</u>	<u>61,479</u>	<u>33.0</u>	<u>42,723</u>	<u>20.8</u>
Earnings per share-before tax (NT Dollars) (Note 2)	<u>\$ 1.11</u>		<u>0.75</u>		<u>0.96</u>					
Earnings per share-after tax (NT Dollars) (Note 2)	<u>\$ 0.88</u>		<u>0.66</u>		<u>0.76</u>					

Note 1: Figures of 2008 were adjusted and characterized properly.

Note 2: 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, 2009 and 2008**  
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	2009		2008		YoY
	Amount	%	Amount	%	%
<b>Gross sales</b>	\$ 5,329,534	101	6,610,559	101	(19)
Less: Sales returns and allowances	(56,672)	(1)	(89,806)	(1)	(37)
<b>Net sales</b>	5,272,862	100	6,520,753	100	(19)
<b>Cost of goods sold*</b>	(4,577,240)	(87)	(5,751,254)	(88)	(20)
<b>Gross profit</b>	695,622	13	769,499	12	(10)
Realized gross profit from affiliates	12,005	-	4,419	-	172
<b>Realized gross profit</b>	707,627	13	773,918	12	(9)
<b>Operating expenses:</b>					
Selling and administrative	(275,983)	(5)	(289,527)	(4)	(5)
Research and development	(49,649)	(1)	(62,072)	(1)	(20)
	(325,632)	(6)	(351,599)	(5)	(7)
<b>Operating income</b>	381,995	7	422,319	7	(10)
<b>Non-operating income and gains:</b>					
Interest income*	5,999	-	6,550	-	(8)
Investment income recognized under equity method	80,489	2	28,844	-	179
Dividend income	5,250	-	5,328	-	(1)
Foreign exchange gain*	2,065	-	47,879	1	(96)
Valuation gain on financial instruments*	11,737	-	-	-	
Others*	-	-	69,091	1	(100)
	70,363	1	4,481	-	1470
<b>Non-operating expenses and losses:</b>	175,903	3	162,173	2	8
Interest expenses*					
Valuation loss on financial instruments*	(9,991)	-	(10,209)	-	(2)
Foreign exchange loss*	(16,473)	-	-	-	
Others	-	-	(68,666)	(1)	(100)
	(9,822)	-	(224)	-	4285
<b>Income before income tax</b>	(36,286)	-	(79,099)	(1)	(54)
<b>Income tax expense</b>	521,612	10	505,393	8	3
<b>Net income</b>	(87,725)	(2)	(87,742)	(1)	(0)
	<b>\$ 433,887</b>	<b>8</b>	<b>417,651</b>	<b>7</b>	<b>4</b>

	Before <u>income tax</u>	After <u>income tax</u>	Before <u>income tax</u>	After <u>income tax</u>
<b>Earnings per share (NT Dollar)</b>				
<b>Basic earnings per share</b>	<b>\$ 1.82</b>	<b>1.51</b>	<b>1.81</b>	<b>1.50</b>
<b>Basic earnings per share—retroactive</b>			<b>\$ 1.77</b>	<b>1.46</b>
<b>Diluted earnings per share</b>	<b>\$ 1.80</b>	<b>1.50</b>	<b>1.77</b>	<b>1.46</b>
<b>Diluted earnings per share—retroactive</b>			<b>\$ 1.73</b>	<b>1.43</b>

Note: Figures of 2008 were adjusted and characterized properly.

**HOLY STONE ENTERPRISE COMPANY LIMITED**  
**Statements of Changes in Stockholders' Equity**  
**For the Six Months Ended June 30, 2009 and 2008**  
(Figures in thousand of new taiwan dollars)

	Retained Earnings					Others			Total Shareholders' Equity	
	Common Stock	Stock dividend to be distributed	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, 2008</b>	\$2,703,274	-	2,747,093	505,526	1,499,846	6,394	-		83,013
Appropriations of prior year's earnings										
Legal capital reserve	-	-	-	118,901	(118,901)	-	-	-	-	-
Capitalization of stock dividends to shareholders	-	27,035	-	-	(27,035)	-	-	-	-	-
Capitalization of bonus to employees - in stock	-	56,500	-	-	(56,500)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(811,055)	-	-	-	-	(811,055)
Bonus to employees - in cash	-	-	-	-	(37,500)	-	-	-	-	(37,500)
Bonus to directors and supervisors	-	-	-	-	(27,000)	-	-	-	-	(27,000)
Convertible bonds transferred to capital stock and capital surplus	679	-	1,821	-	-	-	-	-	-	2,500
Valuation adjustment on available-for-sale financial assets	-	-	-	-	-	-	-	193,907	-	193,907
Cumulative translation adjustments	-	-	-	-	-	(14,685)	-	-	-	(14,685)
Adjustment on long-term investments	-	-	73,802	-	-	-	-	(121,681)	-	(47,879)
Subsidiary trading in parent stocks	-	-	-	-	-	-	-	-	14,568	14,568
Net income for the six months ended June 30, 2008	-	-	-	-	417,651	-	-	-	-	417,651
<b>Balance, June 30, 2008</b>	<b>\$2,703,953</b>	<b>83,535</b>	<b>2,822,716</b>	<b>624,427</b>	<b>839,506</b>	<b>(8,291)</b>	<b>-</b>	<b>155,239</b>	<b>-</b>	<b>7,221,085</b>
<b>Balance, January 1, 2009</b>	\$2,806,456	-	2,741,791	624,427	1,096,352	73,076	(6,406)	(29,569)	-	7,306,127
Appropriations of prior year's earnings										
Legal capital reserve	-	-	-	67,449	(67,449)	-	-	-	-	-
Capitalization of stock dividends to shareholders	-	56,129	-	-	(56,129)	-	-	-	-	-
Cash dividends to shareholders	-	-	-	-	(449,033)	-	-	-	-	(449,033)
Capitalization of bonus to employees - in stock	-	9,590	15,410	-	-	-	-	-	-	25,000
Valuation adjustment on available-for-sale financial assets	-	-	-	-	-	-	-	87,311	-	87,311
Cumulative translation adjustments	-	-	-	-	-	(4,279)	-	-	-	(4,279)
Adjustment on long-term investments	-	-	(1,069)	-	-	-	-	67,552	-	66,483
Net income for the six months ended June 30, 2009	-	-	-	-	433,887	-	-	-	-	433,887
<b>Balance, June 30, 2009</b>	<b>\$2,806,456</b>	<b>65,719</b>	<b>2,756,132</b>	<b>691,876</b>	<b>957,628</b>	<b>68,797</b>	<b>(6,406)</b>	<b>125,294</b>	<b>-</b>	<b>7,465,496</b>

**HOLY STONE ENTERPRISE COMPANY LIMITED**  
**Statements of Cash Flows**  
**For the Six months ended June 30, 2009 and 2008**  
(Expressed in thousands of New Taiwan Dollars)

	<u>2009</u>	<u>2008</u>
<b>Cash flows from operating activities:</b>		
<b>Net income</b>	\$ 433,887	417,651
<b>Adjustments to reconcile net income to cash provided by operating activities:</b>		
Depreciation	102,199	108,277
Other expenditures - accumulated depreciation on assets leased to others	184	223
Deferred credits - Unrealized loss from intercompany profit	(12,005)	(4,419)
Allowance for doubtful accounts	-	(284)
Unrealized inventory valuation loss (gain)	(21,285)	48,000
Loss on retirement of inventory	10,882	-
Loss (gain) on disposal of property, plant and equipment, net	9,638	(591)
Property, plant and equipment reclassified as expense	-	360
Investment gain accounted for using equity method, net	(80,489)	(28,844)
Gain on disposal of investments	(2,065)	(47,879)
Gain on buyback of bonds payable	(6)	-
Deferred income tax benefit	(3,616)	(9,849)
<b>Changes in assets and liabilities:</b>		
Increase in financial assets at fair value through profit or loss - current*	(685,669)	(182,245)
Decrease (increase) in notes and accounts receivable	(191,403)	33,625
Decrease in receivables from related parties	145,865	4,474
Increase in other financial assets - current*	(18,128)	(10,616)
Decrease in inventories	728,606	43,076
Decrease in prepaid expenses and other current assets	31,927	10,661
Increase in financial liabilities at fair value through profit or loss - current	1,831	-
Increase in notes and accounts payable	89,561	130,212
Decrease in payables from related parties	(10,411)	(39,708)
Increase (decrease) in income tax payable	65,119	(43,699)
Increase in accrued expenses and other current liabilities	65,890	30,141
<b>Net cash provided from operating activities</b>	<u>660,512</u>	<u>458,566</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property, plant and equipment	162	2,002
Additions to property, plant and equipment	(176,729)	(219,943)
Increase in long-term equity investments	(140,000)	(661,250)
Acquisition of available-for-sale financial assets - noncurrent	(5,471)	-
Proceeds from sale of available-for-sale financial assets - noncurrent	12,295	-
Decrease (increase) in other assets	226	(230)
<b>Net cash used in investing activities</b>	<u>(309,517)</u>	<u>(879,421)</u>
<b>Cash flows from financing activities:</b>		
Decrease in short-term loans	(154,912)	(67,769)
Borrowing of long-term loans	5,000	99,000
Repayment of long-term loans	(25,500)	-
Buyback and cancellation of bonds payable	(126,794)	-
Decrease in other liabilities	-	(3)
<b>Net cash used in financing activities</b>	<u>(302,206)</u>	<u>31,228</u>
<b>Net increase in cash and cash in banks</b>	48,789	(389,627)
<b>Cash and cash in banks at beginning of period</b>	1,107,952	1,043,679
<b>Cash and cash in banks at end of period</b>	<u>\$ 1,156,741</u>	<u>654,052</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid, excluding capitalization of interest	<u>\$ 10,381</u>	<u>17,914</u>
Income tax paid	<u>\$ 26,222</u>	<u>141,291</u>
<b>Supplemental information on non-cash investing and financing activities:</b>		
Unrealized gain on available-for-sale financial instruments	<u>(\$154,863)</u>	<u>(72,226)</u>
Current portion of bonds payable and long-term debt	<u>\$ 51,000</u>	<u>201,900</u>
Convertible bonds converted into common stock and capital surplus	<u>\$ -</u>	<u>2,500</u>
Accrued cash dividend	<u>\$ 449,033</u>	<u>811,055</u>
Accrued directors' and supervisors' remuneration & employees' bonus	<u>\$ -</u>	<u>64,500</u>
Changes in capital reserve from long-term equity investments	<u>(\$1,069)</u>	<u>73,802</u>
<b>Cash used in acquisition of property, plant and equipment</b>		
Acquisition of property, plant and equipment	\$160,971	186,706
Add: Payable at beginning of period	72,048	65,347
Less: Payable at end of period	(56,290)	(32,110)
Payment in cash	<u>\$ 176,729</u>	<u>219,943</u>

Note: Figures of 2008 were adjusted and characterized properly.