

HOLY STONE ENTERPRISE COMPANY LIMITED
Balance Sheets
June 30, 2010 and 2009
(Expressed in thousands of New Taiwan Dollars)

	6.30.2010		6.30.2009		YoY		6.30.2010		6.30.2009		YoY
	Amount	%	Amount	%	%		Amount	%	Amount	%	%
Assets						Liabilities and stockholders' equity					
Current assets:						Current liabilities:					
Cash and cash equivalents	\$ 1,798,397	14	1,156,741	10	55	Short-term loans	\$ 1,085,369	9	501,557	4	116
Financial assets at fair value through profit or loss-current	297,110	2	915,281	8	(68)	Financial liabilities at fair value through profit or loss-current	7,184	-	1,831	-	292
Notes and accounts receivable, net	2,269,116	18	2,298,344	22	(1)	Notes and accounts payable	1,010,022	8	1,090,951	10	(7)
Receivables from related parties	820,784	7	692,168	6	19	Payables to related parties	58,792	-	26,262	-	124
Other financial assets-current	208,930	2	141,069	1	48	Income tax payable	71,978	1	78,509	1	(8)
Inventories, net	1,808,360	14	948,262	8	91	Accrued expenses and other current liabilities	469,555	4	398,240	3	18
Prepaid expenses and other current assets	95,500	1	120,476	1	(21)	Dividend payable	861,653	7	449,033	4	92
Total current assets	7,298,197	58	6,272,341	56	16	Current portion of long-term debt	146,333	1	51,000	-	187
Funds and investments:						Total current liabilities	3,710,886	30	2,597,383	22	43
Long-term equity investments under equity method	2,249,195	18	1,952,058	18	15	Long-term liabilities:					
Available-for-sale financial assets-noncurrent	367,043	3	268,047	2	37	Corporate bonds payable	657,606	6	-	-	
Financial assets carried at cost-noncurrent	300,000	2	300,000	3	-	Long-term loans payable - bank	292,667	2	1,116,750	10	(74)
Total funds and investments	2,916,238	23	2,520,105	23	16	Total long-term liabilities	950,273	8	1,116,750	10	(15)
Property, plant and equipment:						Other liabilities:					
Land	460,179	4	460,179	4	-	Accrued pension liabilities	21,466	-	12,740	-	68
Buildings	1,093,905	9	756,086	7	45	Deferred income tax liabilities-noncurrent	39,504	-	-	-	
Machinery and equipment	1,365,392	11	1,400,632	13	(3)	Other liabilities	271	-	272	-	-
Leasing assets	47,569	-	47,569	-	-	Total other liabilities	61,241	-	13,012	-	371
Other equipment	168,829	1	236,947	2	(29)	Total liabilities	4,722,400	38	3,727,145	32	27
Subtotal	3,135,874	25	2,901,413	26	8	Stockholders' equity:					
Less: Accumulated depreciation*	(846,970)	(7)	(847,806)	(8)	(0)	Capital:					
Construction in progress and prepayments for equipment*	75,271	1	339,786	3	(78)	Common stock	2,872,175	23	2,806,456	25	2
Net property, plant and equipment	2,364,175	19	2,393,393	21	(1)	Stock dividends to be distributed	-	-	65,719	1	(100)
Other assets	5,491	-	6,802	-	(19)		2,872,175	23	2,872,175	26	-
						Capital surplus	2,901,049	23	2,756,132	25	5
						Retained earnings:					
						Legal reserve	776,837	6	691,876	6	12
						Unappropriated earnings	887,096	7	957,628	9	(7)
							1,663,933	13	1,649,504	15	1
						Others:					
						Cumulative translation adjustments	47,390	-	68,797	1	(31)
						Net loss unrecognized as pension cost	(15,783)	-	(6,406)	-	146
						Unrealized gain or loss on financial instruments	392,937	3	125,294	1	214
							424,544	3	187,685	2	126
						Total stockholders' equity	7,861,701	62	7,465,496	68	5
						Commitments and contingencies					
Total assets	\$12,584,101	100	11,192,641	100	12	Total liabilities and stockholders' equity	\$12,584,101	100	11,192,641	100	12

Note: Figures of 2009 were adjusted and characterized properly.

HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Income
For the Three Months ended June 30, 2010
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	2Q 2010		1Q 2010		2Q 2009		QoQ		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$3,124,781	100.0	2,986,106	100.0	3,058,847	100.0	138,675	4.6	65,934	2.2
Cost of goods sold	(2,688,350)	(86.0)	(2,585,236)	(86.6)	(2,649,292)	(86.6)	(103,114)	4.0	(39,058)	1.5
Gross profit	436,431	14.0	400,870	13.4	409,555	13.4	35,561	8.9	26,876	6.6
Realized (unrealized) gross profit from affiliates	2,219	0.0	(3,552)	(0.1)	3,524	0.1	5,771	(162.5)	(1,305)	(37.0)
Realized gross profit	438,650	14.0	397,318	13.3	413,079	13.5	41,332	10.4	25,571	6.2
Operating expenses	(213,621)	(6.8)	(180,048)	(6.0)	(180,008)	(5.9)	(33,573)	18.6	(33,613)	18.7
Operating income	225,029	7.2	217,270	7.3	233,071	7.6	7,759	3.6	(8,042)	(3.5)
Non-operating income and gain	38,692	1.2	90,075	3.0	80,675	2.6	(51,383)	(57.0)	(41,983)	(52.0)
Non-operating expenses and losses	(15,980)	(0.5)	(5,900)	(0.2)	(2,634)	(0.1)	(10,080)	170.8	(13,346)	506.7
Income before income tax	247,741	7.9	301,445	10.1	311,112	10.1	(53,704)	(17.8)	(63,371)	(20.4)
Income tax expense	(37,010)	(1.2)	(51,818)	(1.7)	(63,429)	(2.0)	14,808	(28.6)	26,419	(41.7)
Net income	210,731	6.7	249,627	8.4	247,683	8.1	(38,896)	(15.6)	(36,952)	(14.9)
Earnings per share-before tax (NT Dollars)*	<u>\$ 0.86</u>		<u>1.05</u>		<u>1.11</u>					
Earnings per share-after tax (NT Dollars)*	<u>\$ 0.73</u>		<u>0.87</u>		<u>0.88</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 Six Months ended June 30, 2010 and 2009
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	1H 2010		1H 2009		YoY
	Amount	%	Amount	%	%
Gross sales	\$ 6,146,927	101	5,329,534	101	15
Less: Sales returns	(36,040)	(1)	(56,672)	(1)	(36)
Net sales	6,110,887	100	5,272,862	100	16
Cost of goods sold	(5,273,586)	(86)	(4,577,240)	(87)	15
Gross profit	837,301	14	695,622	13	20
Realized (unrealized) gross profit from affiliates	(1,333)	-	12,005	-	(111)
Realized gross profit	835,968	14	707,627	13	18
Operating expenses:					
Selling and administrative	(345,196)	(6)	(275,983)	(5)	25
Research and development	(48,473)	(1)	(49,649)	(1)	(2)
	(393,669)	(7)	(325,632)	(6)	21
Operating income	442,299	7	381,995	7	16
Non-operating income and gains:					
Interest income	6,065	-	5,999	-	1
Investment income recognized under equity method	110,614	2	80,489	2	37
Dividend income	5,369	-	5,250	-	2
Gain on disposal of investments	-	-	2,065	-	(100)
Foreign exchange gain	-	-	11,737	-	(100)
Valuation gain on financial assets	4,855	-	-	-	
Others	1,864	-	70,363	1	(97)
	128,767	2	175,903	3	(27)
Non-operating expenses and losses:					
Interest expenses	(10,176)	-	(9,991)	-	2
Foreign exchange loss	(4,832)	-	-	-	
Valuation loss on financial assets*	-	-	(14,765)	-	(100)
Valuation loss on financial liabilities*	(6,688)	-	(1,708)	-	292
Others	(184)	-	(9,822)	-	(98)
	(21,880)	-	(36,286)	-	(40)
Income before income tax	549,186	9	521,612	10	5
Income tax expense	(88,828)	(1)	(87,725)	(2)	1
Net income	\$ 460,358	8	433,887	8	6
			Before	After	
			income tax	income tax	
Earnings per share (NT Dollar)					
Basic earnings per share	\$ 1.91	1.60	1.82	1.51	
Diluted earnings per share	\$ 1.88	1.57	1.80	1.50	

Note: Figures of 2009 were adjusted and characterized properly.

HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Changes in Stockholders' Equity
For the Six Months Ended June 30, 2010 and 2009
(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	
	\$	-	-	-	-	-	-	-	
Balance, January 1, 2009	\$ 2,806,456	-	2,741,791	624,427	1,096,352	73,076	(6,406)	(29,569)	7,306,127
Bonus to employees - in stock	-	9,590	15,410	-	-	-	-	-	25,000
Net income	-	-	-	-	433,887	-	-	-	433,887
Appropriations of prior year's earnings (note 1):									
Legal capital reserve	-	-	-	67,449	(67,449)	-	-	-	-
Cash dividends of common stock	-	-	-	-	(449,033)	-	-	-	(449,033)
Stock dividends of common stock	-	56,129	-	-	(56,129)	-	-	-	-
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	87,311	87,311
Changes in foreign exchange gain (loss) due to the translation of foreign currency financial statements	-	-	-	-	-	(4,279)	-	-	(4,279)
Changes in equities of long-term investments	-	-	(1,069)	-	-	-	-	67,552	66,483
Balance, June 30, 2009	\$ 2,806,456	65,719	2,756,132	691,876	957,628	68,797	(6,406)	125,294	7,465,496
Balance, January 1, 2010	2,872,175	-	2,763,032	691,876	1,373,352	34,041	(15,783)	454,949	8,173,642
The equity component of the convertible bond-stock option	-	-	113,267	-	-	-	-	-	113,267
Net income	-	-	-	-	460,358	-	-	-	460,358
Appropriations of prior year's earnings (note 2):									
Legal capital reserve	-	-	-	84,961	(84,961)	-	-	-	-
Cash dividends of common stock	-	-	-	-	(861,653)	-	-	-	(861,653)
Changes in unrealized gains (losses) on available-for-sale financial assets	-	-	-	-	-	-	-	24,801	24,801
Changes in foreign exchange gain (loss) due to the translation of foreign currency financial statements	-	-	-	-	-	13,349	-	-	13,349
Changes in equities of long-term investments	-	-	-	-	-	-	-	(86,813)	(86,813)
Stock-based compensation	-	-	24,750	-	-	-	-	-	24,750
Balance, June 30, 2010	\$ 2,872,175	-	2,901,049	776,837	887,096	47,390	(15,783)	392,937	7,861,701

Note 1: Bonus to directors and supervisors of NT\$15,100 thousand and bonus to employees in cash of NT\$50,500 thousand have been deducted from statements of income of 2008.

Note 2: 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.

HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Cash Flows
For the Six Months ended June 30, 2010 and 2009
(Expressed in thousands of New Taiwan Dollars)

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Net income (loss)	\$ 460,358	433,887
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation*	94,598	102,383
Stock-based compensation	24,750	-
Amortization- discount on corporate bonds payable	187	-
Allowance (reversal) for inventory valuation loss, retirement loss, and obsolescence loss	448	(10,403)
Investment loss accounted for using equity method, net	(110,614)	(80,489)
Loss on disposal and abandonment of property, plant and equipment, net	-	9,638
Gain on disposal of investments	-	(2,065)
Unrealized (realized) gross profit	1,333	(12,005)
Gain on buyback of bonds payable	-	(6)
Deferred income tax expense (benefit)	14,802	(3,616)
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets held for trading	241,544	(685,669)
Increase in notes and accounts receivable	(147,245)	(191,403)
Decrease (increase) in receivables from related parties	(125,630)	145,865
Decrease (increase) in prepaid expenses and other current assets	(27,629)	31,927
Decrease in other receivables from related parties	121,438	-
Decrease (increase) in inventories	(385,067)	728,606
Decrease (increase) in other financial assets - current	(127,498)	(18,128)
Changes in operating liabilities:		
Increase in financial liabilities held for trading	7,184	1,831
Increase (decrease) in notes and accounts payable	(23,831)	89,561
Increase (decrease) in payables from related parties	40,246	(10,411)
Increase (decrease) in income tax payable	(30,936)	65,119
Increase in accrued expenses and other current liabilities	59,477	65,890
Net cash provided from operating activities	<u>87,915</u>	<u>660,512</u>
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	-	(5,471)
Proceeds from sale of available-for-sale financial assets	-	12,295
Increase in long-term equity investments	-	(140,000)
Additions to property, plant and equipment	(101,595)	(176,729)
Proceeds from sale of property, plant and equipment	-	162
Decrease in refundable deposits	706	226
Net cash used in investing activities	<u>(100,889)</u>	<u>(309,517)</u>
Cash flows from financing activities:		
Increase (decrease) in short-term loans	200,111	(154,912)
Issuance of corporate bond	700,000	-
Redemption and buyback of bonds payable	-	(126,794)
Borrowing of long-term loans	-	5,000
Repayment of long-term loans	(703,250)	(25,500)
Decrease in refundable deposits	(2,063)	-
Net cash used in financing activities	<u>194,798</u>	<u>(302,206)</u>
Net increase in cash and cash in banks	181,824	48,789
Cash and cash in banks at beginning of period	1,616,573	1,107,952
Cash and cash in banks at end of period	<u>\$ 1,798,397</u>	<u>1,156,741</u>
Supplemental disclosure of cash flow information:		
Interest paid, excluding capitalization of interest	<u>\$ 9,586</u>	<u>10,381</u>
Income tax paid	<u>\$ 104,962</u>	<u>26,222</u>
Supplemental information on non-cash investing and financing activities:		
Current portion of long-term debt	<u>\$ 146,333</u>	<u>51,000</u>
Unrealized valuation gain on financial instruments	<u>\$ (24,801)</u>	<u>(87,311)</u>
Changes in unrealized loss (gain) on financial instruments from long-term equity investments	<u>\$ 86,813</u>	<u>(67,552)</u>
Cash dividends payable	<u>\$ 861,653</u>	<u>449,033</u>
Changes in capital reserve from long-term equity investments	<u>\$ -</u>	<u>(1,069)</u>
Cash used in acquisition of property, plant and equipment		
Acquisition of property, plant and equipment	<u>\$ (115,619)</u>	<u>(160,971)</u>
Increase (decrease) in payables on equipment	<u>\$ 14,024</u>	<u>(15,758)</u>
Payment in cash	<u>\$ (101,595)</u>	<u>(176,729)</u>

Note: Figures of 2009 were adjusted and characterized properly.