

HOLY STONE ENTERPRISE COMPANY LIMITED
Balance Sheets
December 31, 2010 and 2009
(Expressed in thousands of New Taiwan Dollars)

	12.31.2010		12.31.2009		YoY		12.31.2010		12.31.2009		YoY
	Amount	%	Amount	%	%		Amount	%	Amount	%	%
Assets						Liabilities and stockholders' equity					
Current assets:						Current liabilities:					
Cash and cash equivalents	\$ 1,644,489	12	1,616,573	14	2	Short-term loans	\$ 895,339	7	885,258	7	1
Financial assets at fair value through profit or loss-current	310,220	2	467,968	4	(34)	Notes and accounts payable	1,378,720	10	1,033,853	10	33
Notes and accounts receivable, net	2,292,679	17	2,121,871	18	8	Payables to related parties	47,818	-	18,546	-	158
Receivables from related parties*	1,045,967	8	695,154	6	50	Income tax payable	60,875	-	102,914	1	(41)
Other receivables - related parties*	1,200	-	121,438	1	(99)	Accrued expenses and other current	425,984	3	394,721	3	8
Other financial assets-current	151,650	1	81,432	-	86	Current portion of long-term debt	146,333	1	125,417	1	17
Inventories, net	2,089,897	17	1,423,741	12	47	Total current liabilities	2,955,069	21	2,560,709	22	15
Prepaid expenses and other current assets	80,907	1	76,897	1	5	Long-term liabilities:					
Total current assets	7,617,009	58	6,605,074	56	15	Corporate bonds payable	661,864	5	-	-	
Funds and investments:						Long-term loans payable - bank	219,500	2	1,016,833	9	(78)
Long-term equity investments under equity method	2,380,440	18	2,210,849	19	8	Total long-term liabilities	881,364	7	1,016,833	9	(13)
Available-for-sale financial assets-noncurrent	360,402	3	342,242	3	5	Other liabilities:					
Financial assets carried at cost-noncurrent	300,000	2	300,000	3	-	Accrued pension liabilities	26,732	-	21,466	-	25
Total funds and investments	3,040,842	23	2,853,091	25	7	Deferred income tax liabilities-noncurrent	29,597	-	32,532	-	(9)
Property, plant and equipment:						Other liabilities	267	-	2,334	-	(89)
Cost:						Total other liabilities	56,596	-	56,332	-	-
Land	597,530	5	460,179	4	30	Total liabilities	3,893,029	28	3,633,874	31	7
Buildings	1,116,981	8	1,090,672	9	2	Stockholders' equity:					
Machinery and equipment	1,377,575	10	1,312,059	11	5	Common stock	3,202,175	24	2,872,175	24	11
Leasing assets*	47,568	-	47,568	-	-	Capital surplus	3,652,343	29	2,763,032	23	32
Other equipment	187,933	1	146,549	1	28	Retained earnings:					
Subtotal	3,327,587	24	3,057,027	25	9	Legal reserve	776,837	6	691,876	6	12
Less: Accumulated depreciation*	(947,200)	(7)	(752,371)	(6)	26	Unappropriated earnings	1,258,972	9	1,373,352	12	(8)
Construction in progress and prepayments for equipment	227,149	2	38,498	-	490	Total stockholders' equity	2,035,809	15	2,065,228	18	(1)
Net property, plant and equipment	2,607,536	19	2,343,154	19	11	Others:					
Other assets	1,938	-	6,197	-	(69)	Cumulative translation adjustments	(24,681)	-	34,041	-	(173)
						Net loss not recognized as pension cost	(20,223)	-	(15,783)	-	28
						Unrealized gain or loss on financial	528,873	4	454,949	4	16
						Total stockholders' equity	483,969	4	473,207	4	2
						Total stockholders' equity	9,374,296	72	8,173,642	69	15
						Commitments and contingencies					
Total assets	\$ 13,267,325	100	11,807,516	100	12	Total liabilities and stockholders' equity	\$13,267,325	100	11,807,516	100	12

Note: Figures of 2009 were adjusted and characterized properly.

HOLY STONE ENTERPRISE COMPANY LIMITED
Condensed Statements of Income
For the Three Months ended December 31, 2010
(Expressed in thousands of New Taiwan Dollars, except earnings per share)

	4Q 2010		3Q 2010		4Q 2009		QoQ		YoY	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Net sales	\$3,533,092	100.0	3,036,746	100.0	2,796,642	100.0	496,346	16.3	736,450	26.3
Cost of goods sold	(3,256,818)	(92.2)	(2,668,651)	(87.9)	(2,462,453)	(88.1)	(588,167)	22.0	(794,365)	32.3
Gross profit	276,274	7.8	368,095	12.1	334,189	12.0	(91,821)	(24.9)	(57,915)	(17.3)
Realized (unrealized) gross profit from affiliates	6,787	0.2	(2,755)	(0.1)	467	0.0	9,542	(346.4)	6,320	1,353.3
Realized gross profit	283,061	8.0	365,340	12.0	334,656	12.0	(82,279)	(22.5)	(51,595)	(15.4)
Operating expenses	(180,031)	(5.1)	(197,383)	(6.5)	(182,251)	(6.5)	17,352	(8.8)	2,220	(1.2)
Operating income	103,030	2.9	167,957	5.5	152,405	5.5	(64,927)	(38.7)	(49,375)	(32.4)
Non-operating income and gain	132,699	3.8	110,479	3.6	56,707	2.0	22,220	20.1	75,992	134.0
Non-operating expenses and losses	(74,091)	(2.1)	(18,569)	(0.6)	(13,536)	(0.5)	(55,522)	299.0	(60,555)	447.4
Income before income tax	161,638	4.6	259,867	8.5	195,576	7.0	(98,229)	(37.8)	(33,938)	(17.4)
Income tax expense	(15,253)	(0.4)	(34,376)	(1.1)	(27,846)	(1.0)	19,123	(55.6)	12,593	(45.2)
Net income	146,385	4.2	225,491	7.4	167,730	6.0	(79,106)	(35.1)	(21,345)	(12.7)
Basic Earnings per share-before tax (NT Dollars)*	<u>\$ 0.54</u>		<u>0.88</u>		<u>0.68</u>					
Basic Earnings per share-after tax (NT Dollars)*	<u>\$ 0.49</u>		<u>0.77</u>		<u>0.58</u>					
Basic weighted average outstanding shares	300,779		294,108		286,781					

Note: EPS calculation is based on the weighted average outstanding shares at the end of each quarter.

HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Income
For the Twelve Months ended December 31, 2010 and 2009
(Expressed in thousands of New Taiwan dollars, except earnings per share)

	2010		2009		YoY
	Amount	%	Amount	%	%
Gross sales	\$12,769,268	101	11,223,876	101	14
Less: Sales returns	(88,543)	(1)	(117,947)	(1)	(25)
Net sales	12,680,725	100	11,105,929	100	14
Cost of goods sold	(11,199,055)	(88)	(9,670,450)	(87)	16
Gross profit	1,481,670	12	1,435,479	13	3
Realized gross profit from affiliates	2,699	-	12,063	-	(78)
Realized gross profit	1,484,369	12	1,447,542	13	3
Operating expenses:					
Selling and administrative	(653,465)	(5)	(589,534)	(5)	11
Research and development	(117,618)	(1)	(96,700)	(1)	22
	(771,083)	(6)	(686,234)	(6)	12
Operating income	713,286	6	761,308	7	(6)
Non-operating income and gains:					
Interest income	10,396	-	10,564	-	(2)
Investment income recognized under equity method	193,853	2	181,817	2	7
Dividend income	14,162	-	13,265	-	7
Gain on disposal of investments	102,783	1	12,453	-	725
Valuation gain on financial assets	39,806	-	9,362	-	325
Others	10,945	-	93,030	1	(88)
	371,945	3	320,491	3	16
Non-operating expenses and losses:					
Interest expenses	(19,753)	-	(15,750)	-	25
Foreign exchange loss	(94,416)	(1)	(7,576)	-	1,146
Others	(371)	-	(23,420)	-	(98)
	(114,540)	(1)	(46,746)	-	145
Income before income tax	970,691	8	1,035,053	10	(6)
Income tax expense	(138,457)	(1)	(185,442)	(2)	(25)
Net income	<u>\$ 832,234</u>	<u>7</u>	<u>849,611</u>	<u>8</u>	<u>(2)</u>

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	<u>\$ 3.23</u>	<u>2.77</u>	<u>3.61</u>	<u>2.96</u>
Diluted earnings per share	<u>\$ 3.09</u>	<u>2.65</u>	<u>3.55</u>	<u>2.92</u>

HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Changes in Stockholders' Equity
For the Twelve Months Ended December 31, 2010 and 2009
(Figures in thousand 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	
	Balance, January 1, 2009	\$ 2,806,456	2,741,791	624,427	1,096,352	73,076	(6,406)	
Bonus to employees - in stock	9,590	15,410	-	-	-	-	-	25,000
Net income	-	-	-	849,611	-	-	-	849,611
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	-	-	-	-	-	-	191,378	191,378
Changes in net loss not recognized as pension cost	-	-	-	-	-	(9,377)	-	(9,377)
Changes in foreign exchange gain (loss) due to the translation of foreign currency financial statements	-	-	-	-	(39,035)	-	-	(39,035)
Changes in equities of long-term investments	-	5,831	-	-	-	-	293,140	298,971
Balance, December 31, 2009	\$ 2,872,175	2,763,032	691,876	1,373,352	34,041	(15,783)	454,949	8,173,642
Issuance of common stock	330,000	742,504	-	-	-	-	-	1,072,504
The equity component of the convertible bond-stock option	-	113,267	-	-	-	-	-	113,267
Net income	-	-	-	832,234	-	-	-	832,234
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	-	-	-	-	-	-	32,709	32,709
Changes in net loss not recognized as pension cost	-	-	-	-	-	(4,440)	-	(4,440)
Changes in foreign exchange gain (loss) due to the translation of foreign currency financial statements	-	-	-	-	(58,722)	-	-	(58,722)
Changes in equities of long-term investments	-	8,790	-	-	-	-	41,215	50,005
Stock-based compensation	-	24,750	-	-	-	-	-	24,750
Balance, December 31, 2010	\$ 3,202,175	3,652,343	776,837	1,258,972	(24,681)	(20,223)	528,873	9,374,296

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 Twelve Months ended December 31, 2010 and 2009
(Expressed in thousands of New Taiwan Dollars)

	2010	2009
Cash flows from operating activities:		
Net income	\$ 832,234	849,611
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	194,971	209,624
Allowance (reversal) for doubtful accounts	7,240	(19,175)
Stock-based compensation	24,750	-
Amortization- discount on corporate bonds payable	4,445	-
Allowance (reversal) for inventory valuation loss, retirement loss, and obsolescence loss*	13,864	(25,215)
Investment gain accounted for using equity method, net	(193,853)	(181,817)
Loss on disposal and abandonment of property, plant and equipment, net	3	22,788
Gain on disposal of investments	(96,952)	(18,655)
Gain on disposal of long-term equity investments under equity method	(5,831)	6,202
Realized gross profit	(2,699)	(12,063)
Gain on buyback of bonds payable	-	(6)
Deferred income tax expense	11,504	34,425
Changes in operating assets and liabilities:		
Changes in operating assets:		
Decrease (increase) in financial assets held for trading	228,434	(238,356)
Decrease (increase) in notes and accounts receivable	(178,048)	4,245
Decrease (increase) in receivables from related parties*	(349,553)	141,108
Decrease (increase) in other receivables - related parties*	2,499	(3,188)
Decrease (increase) in inventories	(680,020)	267,939
Decrease (increase) in prepaid expenses and other current assets	(4,884)	61,487
Decrease (increase) in other financial assets - current	(70,218)	41,509
Changes in operating liabilities:		
Increase in notes and accounts payable	344,867	32,463
Increase (decrease) in payables from related parties	29,272	(18,127)
Increase (decrease) in income tax payable	(42,039)	89,524
Increase in accrued expenses and other current liabilities	2,776	97,696
Increase (decrease) in accrued pension liabilities	826	(651)
Net cash provided from operating activities*	73,588	1,341,368
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	-	(5,471)
Proceeds from sale of available-for-sale financial assets	111,501	58,757
Increase in long-term equity investments	-	(140,000)
Proceeds from sale of long-term equity investments	-	15,685
Proceeds from return of capital by investees under equity method*	7,811	26,892
Additions to property, plant and equipment	(428,186)	(283,348)
Proceeds from sale of property, plant and equipment	16	1,362
Decrease (increase) in other receivables - related parties	116,479	(116,479)
Decrease in other assets	4,259	831
Net cash used in investing activities	(188,120)	(441,771)
Cash flows from financing activities:		
Increase in short-term loans	10,081	228,789
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	(776,417)	(51,000)
Increase (decrease) in other liabilities	(2,067)	2,062
Cash dividends	(861,653)	(449,033)
Issuance of common stock for cash	1,072,504	-
Net cash provided by (used in) financing activities*	142,448	(390,976)
Net increase (decrease) in cash and cash in banks	27,916	508,621
Cash and cash in banks at beginning of period	1,616,573	1,107,952
Cash and cash in banks at end of period	\$ 1,644,489	\$ 1,616,573
Supplemental disclosure of cash flow information:		
Interest paid, excluding capitalization of interest	\$ 15,188	\$ 15,973
Income tax paid	\$ 168,992	\$ 69,253
Supplemental information on non-cash investing and financing activities:		
Current portion of long-term debt	\$ 146,333	\$ 125,417
Unrealized valuation gain on financial instruments*	\$ (32,709)	\$ (191,378)
Changes in unrealized gain on financial instruments from long-term equity investments*	\$ (41,215)	\$ (293,140)
Changes in capital reserve from long-term equity investments	\$ (8,790)	\$ (5,831)
Cash used in acquisition of property, plant and equipment		
Acquisition of property, plant and equipment	\$ (459,372)	(232,323)
Increase (decrease) in payables on equipment	31,186	(51,025)
Payment in cash	\$ (428,186)	\$ (283,348)

Note: Figures of 2009 were adjusted and characterized properly.