



禾伸堂企業股份有限公司
Holy Stone Enterprise Co., Ltd.

TWSE : 3026

2016 Annual General Shareholders' Meeting

Meeting Agenda

(Summary Translation)

This document is prepared in accordance with the Chinese version and is for reference only. In the event of any discrepancy between the English version and the Chinese version, the Chinese version shall prevail.

June 7, 2016

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Holy Stone Enterprise Co., Ltd.

2016 Annual Shareholders' Meeting Procedure

- 1.Call meeting to order**
- 2.Chairman takes podium**
- 3.Discussion item**
- 4.Report items**
- 5.Acknowledgement items**
- 6.Discussion items**
- 7.Special motion**
- 8.Meeting adjourned**

Holy Stone Enterprise Co., Ltd.

2016 Annual Shareholders' Meeting Agenda (Translation)

Time/Date : 9:00 a.m., June 7, 2016 (Tuesday)

Place : No.17, Lane 91, Section 1, Nei Hu Road, Nei Hu District, Taipei City 114, Taiwan, R.O.C.
(7F, Chu Pao Building)

Meeting Agenda:

1. Report the number of shares represented by shareholders attending the Meeting

2. Chairman's Address

3. Discussion Item

- (1) To approve the amendment of Company's Article

4. Report Items

- (1) To report the business of 2015
- (2) To report Supervisor's Review Report on the 2015 Financial Statements
- (3) To report the distribution of 2015 employee bonus and Directors and Supervisor remuneration

5. Acknowledgement Items

- (1) To accept 2015 Business Report and Financial Statements
- (2) To approve the proposal for distribution of 2015 profits

6. Discussion Items

- (2) To approve the amendment to the Operational Procedures for Loaning of Company Funds
- (3) To approve and release Director from Non-Competition Restrictions

7. Special Motion

8. Adjournment

Discussion Item:

1.(Proposed by the Board of Directors)

To approve the amendment of Company's Article

Explanation:

- (1) In compliance with Hwa-Chong-I-Yi-Tzi No.10400058161 Order dated May 20, 2015 amending Company Law regarding bonus to employees and remuneration to directors and supervisors.
- (2) Please refer to the table comparing original and amended articles in page 7~9
- (3) Please jointly decide the above-mentioned item.

Resolution:

Report Items:

1. To report the business of 2015.

Explanation: Please refer to page 10~11

2. To accept Supervisors' Review Report on 2015 Business Report and Financial Statements

Explanation: Please refer to page 12.

3. To report the distribution of 2015 employee bonus and Directors and Supervisors remuneration

Explanation: The Board of Directors meeting on March 15, 2016 proposed employee bonus NT88.148 million and director remuneration NT16.79 million, both paid in cash.

Acknowledgement Items

1. (Proposed by the Board of Directors)

To accept 2015 Business Report and Financial Statements

Explanation:

- (1) 2015 Financial Statement of the Company has been audited, and the audit report has been issued by Pei-Chi Chen and Jason Lin, accountant at CPA firm of KPMG.
- (2) The 2015 Financial Statements and Business Report are resolved by the Board of Directors and reviewed by Supervisors.
- (3) Attachment
 - i. Business Report (P. 10~11)
 - ii. Auditors' Report. (P. 13 & P. 18)
 - iii. Financial Statement (P. 14~17 & P. 19~22)
 - iv. Supervisors' Report (P. 12)
- (4) Please accept the above-mentioned items

Resolution:

2. (Proposed by the Board of Directors)

To approve the proposal for distribution of 2105 profits

Explanation:

- (1) To draft the distribution of earnings according to Articles of Company (P.24) .
- (2) This distribution of earnings are resolved by the Board of Directors and reviewed by Supervisors (P.23) .
- (3) Each share holder will be entitled to receive a cash dividend of NT\$2.50 per share.
- (4) Resolution at Shareholders' Meeting shall authorize the Board of Directors to decide on the Distribution Record Date.
- (5) In the event of that the outstanding shares is affected by capital increase (reduction), buyback of treasury stock or, write-off and transfer of treasury stock, conversion of convertible bonds, conduct of ESO or any other factors, authorized Board of Directors shall resolved the total amount of the distribution of earning at the shareholders' meeting. The distribution shall be adjusted in portion of outstanding shares on the distribution report date.
- (6) Please accept the above-mentioned items.

Resolution:

Discussion Items

2. (Proposed by the Board of Directors)

To approve the amendment to the Operational Procedures for Loaning of Company Funds

Explanation:

- (1) To propose amendment to the Article of the Operational Procedures for Loaning of Company Funds.
- (2) Comparison table of the amendment (P.25~26)
- (3) Please jointly decide the above-mentioned item.

Resolution:

3. (Proposed by the Board of Directors)

To release the prohibition on directors from participation in competitive business

Explanation:

- (1) In accordance with Article 209 of the R.O.C. Company Act, a director who does anything for himself or on behalf of another person that is within the scope of the company's business, shall explain to the meeting of shareholders the essential contents of such as act and secure its approval.
- (2) To broaden the boundaries of the Company's business against Directors' expertise, without any damaging of the Company, Holy Stone proposed to release Independent Director, Nai-Hua Wu, engaging in Apex Science & Engineering Corp. as the Independent Director, from the restriction of non-competition.
- (3) Please jointly decide the above-mentioned item.

Resolution:

Special Motion

【Attachment 1】

**Holy Stone Enterprise Co., Ltd. (“the Company”)
Comparison Table for Amendment to the Company’s Articles of Association**

No.	Post-Amendment	Pre-Amendment	Explanation
<p>Article <u>5.1</u></p>	<p>When the Company below the market price of the warrants issuance of employee stock options, should be represented more than half of total number of issued shares of the shareholders attending the shareholders' meeting, attended by more than two-thirds of the voting rights of the shareholders consent, may only issue.</p> <p>When the Company bought back shares for less than the actual average price of the transfer of treasury stock to employees, shall, prior to the transfer, drew the last representatives of the shareholders attending the issued shares of a majority of the total number of shareholders attending the shareholders voting rights of more than two-thirds agree.</p>	<p>New clause</p>	<p>According to the governing law and regulations</p>
<p>Article 19</p>	<p>When allocating the profit for each fiscal year, before the annual tax reduction, the Company shall offset its losses in previous years (including adjusted earnings amount unallocated) , if any balance, the Company shall set aside not less than 7% as profit sharing bonuses to its employees, and not more than 3% as remuneration to its directors and supervisors.</p> <p>The decision of paying ratio and paying by shares or cash to employee bonuses, remuneration to directors and supervisors</p>	<p>The original article was deleted</p>	<p>According to Hwa-Chong-I-Yi-Tzi No.104000 58161 Order dated May 20, 2015</p>

No.	Post-Amendment	Pre-Amendment	Explanation
	<p>shall be made by the board of directors with more than a two-thirds majority of the directors present and agreed with more than half, and will report to the shareholders' meeting. The remuneration to directors and supervisors should be in cash only.</p> <p>The employee compensation issue shares or cash is including compliance with certain conditions of subsidiary employees.</p>		
Article 20	<p>The company's annual profit after taxes, if any, are subject to distribute as follows:</p> <ol style="list-style-type: none"> 1. Completing the accumulated deficit and losses (including adjustment of non-distribute earnings) 2. To set 10% legal reserve, unless the legal reserve has reached the total capital. 3. The remaining balance thereafter should be applied to have the special reserve appropriated or reversed lawfully. 4. The remaining balance thereafter should plus the accumulated unappropriated earnings, to be proposed by the Board of directors for the distribution of shareholder's dividend in the shareholders meeting. 	<p>The company's annual earnings, if any, are subject to distribute as follows:</p> <ol style="list-style-type: none"> 1. Payment of taxes and dues. 2.. Completing the deficit and losses of previous years. 3. To set 10% legal reserve, unless the legal reserve has reached the total capital. 4. The remaining balance thereafter should be applied to have the special reserve appropriated or reversed lawfully. 5. The remaining balance thereafter should be allocated proportionally to directors, supervisors and employees. <p>(I) Remuneration to directors and supervisors for less</p>	<p>According to Hwa-Chong-I-Yi-Tzi No.104000 58161 Order dated May 20, 2015</p>

No.	Post-Amendment	Pre-Amendment	Explanation
	<p>(Omitted , the rest of paragraph has no change.)</p>	<p>than 3%. (II) Bonus to employees for over 7%. The bonus to employees referred to above may include the employees of the subsidiaries that meet certain conditions, which are to be determined by the Board of Directors, or authorized representative. 6. The remaining balance thereafter should be proposed by the Board of directors for the distribution of shareholder's dividend in the shareholders meeting. (Omitted , the rest of paragraph has no change.)</p>	
Article 22	<p>The Company Article was established on May 6, 1981. The first ~ 25th amendments are omitted. The 26th amendment was made on June 7, 2016.</p>	<p>The Company Article was established on May 6, 1981. The first ~ 24th amendments are omitted. The 25th amendment was made on June 9, 2015.</p>	Amending date

【Attachment 2】

Holy Stone Enterprise Co., Ltd.

Business Report

In the wake of challenging environment in the global market and rapid change in information and communication industry, Holy Stone (“the Company”, “we”) has been proactively transforming ourselves to constantly bring forth new ideas. For 2015, the Company reported consolidated revenue of NT\$13,596 million, and earnings after tax of NT\$2.67 per share.

Overall Performance

Resulting from constant changes in industries, the Company made a rather significant adjustment to product portfolio in 2015. The revenue from components sales of portable devices, high-end equipments and systems of network and communication, LED lighting and automotive accounted for over 70% of total revenue.

The Company’s house-brand product – Multilayer Ceramic Capacitor (MLCC) has gained in popularity in both of domestic and global market as we have devoted significantly to developing high-end product application. The effort has finally been paying off with better product application in industry and automobile markets, in which LED lighting, power supply, medical instruments and equipments have been successfully capitalized on. New products of system and module also found their way to gain market share in portable device market of IoT.

Revenue of sales from MLCC and system and module involved in industrial and automotive sectors have taken up 28% of total revenue of 2015. Following the trend, these two markets will also be the direction and momentum of future growth for the year to come.

The Company has published Corporate Social Responsibility Report since 2008, with the aim of facilitating effective communication with employees, shareholders, and all of stakeholders and increasing corporate information transparency at the same time. In 2005, the Company made it to Taiwan Stock Exchange top 20% in Corporate Governance Evaluation.

Corporate Development

Over the years, the Company has been devoting substantial R&D expense in niche market. We have been sharpening automatic processing skills and staying on top of competition. Throughout the years of professional accumulation, the Company has acquired a number of patents, aiming to keep up

sustainability, core competence and global competitiveness toward corporate preeminence.

While pursuing technical development as well as profitability, we will keep putting corporate governance into practice, adopting environmentally friendly measures, and working closely with suppliers to fulfill social responsibility; We will keep abiding by corresponding laws to provide a safe working environment and Health, hygiene and safety management in order to build a green enterprise.

Holy Stone appreciates dedication from employees, as well as support from customers, suppliers, and shareholders. We will keep the cornerstone in mind and hope to exceed expectation at the end of the road.

Chairman: Jing-Rong Tang President: Jing-Rong Tang Accountant Manager: Shu-Ying Chang

【Attachment 3】

**Holy Stone Enterprise Co., Ltd.
Supervisors' Report**

The Board of Directors has prepared the Company's 2015 Business Report, Financial Statements, and proposal for allocation of profits. Both CPA Pei-Chi Chen and Heng-Sheng Lin with KPMG were retained to audit Holy Stone's Financial Statements and have issued an audit report relating to the Financial Statements. The Business Report, Financial Statements, and profit allocation proposal have been reviewed and determined to be correct and accurate by the undersigned, the supervisors of Holy Stone Enterprise Company Limited. According to Article 219 of the Company Act, we hereby submit this report.

Holy Stone's Annual Shareholders' Meeting, 2016

Supervisor: Tang-Ming Wu

Chung-Yi Yang

March 25, 2016

【Attachment 4】

English Translations of Financial Statements Originally Issued in Chinese

Independent Auditors' Report

The Board of Directors and Shareholders

Holy Stone Enterprise Company Limited

We have audited the accompanying balance sheets of Holy Stone Enterprise Company Limited as of December 31, 2015 and 2014, and the related statements of income, changes in shareholders equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. Part of Holy Stone Enterprise Company Limited's investment that accounted under equity method was audited by other accountants. Therefore, the amount of partial Company financial statement among our opinion on these financial statements was according to other accountants' auditor's report. As of December 31, 2015 and 2014, the investment amounts accounted under equity method made up 2.44% and 2.05% of total assets, respectively; the gains or losses from subsidiaries accounted under equity method for the year ended December 31, 2015 and 2014 made up 1.74% and 0.86% of Net income before tax, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Holy Stone Enterprise Company Limited as of December 31, 2015 and 2014, and the results of its operations and its cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards, and accounting principles generally accepted in the Republic of China.

KPMG

Accountants:

Taipei, Taiwan
Republic of China

March 15, 2016

English Translations of Financial Statements Originally Issued in Chinese
HOLY STONE ENTERPRISE COMPANY LIMITED

Balance Sheets

December 31, 2015, 2014

(Expressed in Thousands of New Taiwan Dollars)

Assets	2015.12.31		2014.12.31			Liabilities and Equity	2015.12.31		2014.12.31	
	Amount	%	Amount	%			Amount	%	Amount	%
Current Assets:						Current Liabilities:				
1100 Cash and Cash Equivalents (Note6.1)	\$ 1,649,931	15	1,407,191	12	2100	Short-term Loans (Note6.9)	\$ 1,260,187	11	1,756,874	15
1110 Financial Assets at Fair Value through Profit or Loss - Current (Note6.2&6.10)	478,636	4	519,700	4	2170	Notes and Accounts Payable	917,803	8	1,033,335	9
1150 Notes and Accounts Receivable, net (Note6.5)	2,178,533	20	2,686,958	22	2180	Accounts Payable - Related Parties (Note7)	50,821	-	44,054	-
1180 Account Receivable - Related Parties (Note6.4&7)	772,961	7	599,562	5	2200	Other Receivables	432,600	4	457,702	4
1200 Other Receivables (Note6.5)	44,936	-	56,785	-	2230	Current Period Income Tax Liability	70,628	1	98,695	1
130X Inventories (Note6.6)	1,472,818	13	1,811,299	15	2321	Current Portion of Puttable Corporate Bonds (Note6.10)	-	-	103,875	1
1410 Prepaid Expenses and Other Current Assets	10,503	-	13,021	-		Total Current Liabilities*	<u>2,732,039</u>	<u>24</u>	<u>3,494,535</u>	<u>30</u>
Total Current Assets	<u>6,608,318</u>	<u>59</u>	<u>7,094,516</u>	<u>58</u>	2570	Noncurrent Liabilities:				
Noncurrent Assets:					2640	Deferred Income Tax Liabilities (Note6.12)	45,711	-	59,366	-
1523 Available-for-sale Financial Assets - Noncurrent (Note6.3)	30,272	-	39,154	-	2670	Accrued Pension Liabilities (Note6.11)	56,774	1	55,763	-
1543 Financial Assets Carried at Cost - Noncurrent (Note6.4)	24,246	-	-	-		Other Noncurrent Liabilities - Others	16	-	15	-
1550 Investments under Equity Method (Note6.7)	2,343,030	21	2,579,779	22		Total Noncurrent Liabilities	<u>102,501</u>	<u>1</u>	<u>115,144</u>	<u>-</u>
1600 Property, Plant and Equipment (Note6.8 & 7)	2,131,464	20	2,332,883	20		Total Liabilities	<u>2,834,540</u>	<u>25</u>	<u>3,609,679</u>	<u>30</u>
1840 Deferred Income Tax Assets (Note6.12)	28,660	-	33,200	-	3110	Equity (Note6.10 & 6.11 & 6.13):				
1915 Prepaid Expense on Equipment	18,057	-	23,535	-	3200	Common Stock	<u>2,242,154</u>	<u>20</u>	<u>2,235,481</u>	<u>18</u>
1990 Other Noncurrent Assets - Others (Note8)	15,220	-	15,164	-	3200	Capital Surplus	<u>3,608,244</u>	<u>32</u>	<u>3,588,009</u>	<u>30</u>
Total Noncurrent Assets	<u>4,590,949</u>	<u>41</u>	<u>5,023,715</u>	<u>42</u>	3310	Retained Earnings:				
					3350	Legal Reserve	1,161,732	11	1,071,291	9
						Unappropriated Earnings	<u>1,150,743</u>	<u>11</u>	<u>1,382,626</u>	<u>11</u>
						Total Retained Earnings	<u>2,312,475</u>	<u>22</u>	<u>2,453,917</u>	<u>20</u>
					3410	Other Equity:				
						Exchange Differences on Translation of Financial Statements of Foreign Operations	45,807	-	24,645	-
					3425	Unrealized Gains and Losses on Available-for-sale Financial Assets	<u>156,047</u>	<u>1</u>	<u>206,500</u>	<u>2</u>
						Total Other Equity	<u>201,854</u>	<u>1</u>	<u>231,145</u>	<u>2</u>
						Total Equity	<u>8,364,727</u>	<u>75</u>	<u>8,508,552</u>	<u>70</u>
Total Assets	<u>\$ 11,199,267</u>	<u>100</u>	<u>12,118,231</u>	<u>100</u>		Total Liabilities and Equity	<u>\$ 11,199,267</u>	<u>100</u>	<u>12,118,231</u>	<u>100</u>

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

English Translations of Financial Statements Originally Issued in Chinese
HOLY STONE ENTERPRISE COMPANY LIMITED
Statements of Income

For the years ended December 31, 2015, 2014

(Expressed in Thousands of New Taiwan dollars, except earnings per share)

		<u>2015</u>		<u>2014</u>	
		<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
4000	Net Sales (Note6.16&7)	\$ 12,154,324	100	14,565,348	100
5000	Cost of Goods Sold (Note6.6&7)	(10,553,722)	(87)	(12,962,060)	(89)
	Gross Profit	1,600,602	13	1,603,288	11
5910	Unrealized Gains and Losses on Sales	7,351	-	(3,256)	-
	Gross Profit	1,607,953	13	1,600,032	11
	Operating Expense (Note7)				
6100	Selling and Administrative*	(601,899)	(5)	(658,218)	(5)
6300	Research and Development	(119,551)	(1)	(99,873)	-
	Total Operating Expense	(721,450)	(6)	(758,091)	(5)
	Operating Income	886,503	7	841,941	6
	Non-Operating Income and Expenses (Note6.10&7):				
7020	Other Gains and Losses	57,872	-	68,636	-
7050	Financial Costs	(12,085)	-	(19,549)	-
7070	Gains of Losses from Subsidiary Using Equity Method	(211,400)	(1)	138,770	1
7100	Interest Income	13,677	-	15,154	-
	Total Non-Operating Income and Expenses	(151,936)	(1)	203,011	1
7900	Income before Income Tax	734,567	6	1,044,952	7
7950	Less: Income Tax Expense (Note6.12)	136,389	1	140,544	1
	Net Income for Current Period	598,178	5	904,408	6
8300	Other Comprehensive Gains and Losses:				
8310	Revaluation income				
8311	Defined benefit plan	(1,911)	-	1,764	-
8349	Income Tax incurred	-	-	-	-
	Total Revaluation income	(1,911)	-	1,764	-
8360	Revaluation income arising from reclassification				
8361	Exchange Differences on Translation of Financial Statements of Foreign Operations	25,495	-	61,963	-
8362	Unrealized Valuation Gains (Loss) on Available-for-sale Financial Assets	(51,962)	-	(123,343)	(1)
8399	Income Tax related to reclassification	(2,824)	-	(16,281)	-
	Total Revaluation income arising from reclassification	(29,291)	-	(77,661)	(1)
8300	Other Comprehensive Income for Current Period (after tax)	(31,202)	-	(75,897)	(1)
	Total Comprehensive Income for Current Period	\$ 566,976	5	\$ 828,511	5
	Earnings per Share (Note 6.15)				
9750	Basic Earnings per Share (Unit: NT Dollar)*	\$ 2.67		\$ 4.05	
9850	Diluted Earnings per Share (Unit: NT Dollar)*	\$ 2.61		\$ 3.93	

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang President: Jing-Rong Tang Accountant Manager: Shu-Ying Chang

HOLY STONE ENTERPRISE COMPANY LIMITED

Statements of Changes in Stockholders' Equity

For the years ended December 31, 2015, 2014

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of Parent Company							Total Equity
	Common Stock	Capital Surplus	Retained Earnings		Other Equity		Treasury Stock	
			Legal Reserve	Unappropriated Earnings*	Exchange Differences on Translation Of financial Statements of Foreign Operations	Unrealized Gain (Loss) on Available-for-sale Financial Products		
Beginning Balance, January 1, 2014	\$ 2,241,522	3,572,820	1,001,724	1,171,955	(26,785)	335,591	(28,253)	8,268,574
Net Income	-	-	-	904,408	-	-	-	904,408
Other Comprehensive Income	-	-	-	1,764	51,430	(129,091)	-	(75,897)
Total Comprehensive Income	-	-	-	906,172	51,430	(129,091)	-	828,511
Appropriation of Retained Earnings (note 1)								
Provision for Legal Reserve	-	-	69,567	(69,567)	-	-	-	-
Cash Dividend for Common Stock	-	-	-	(625,934)	-	-	-	(625,934)
Other Changes on Capital Surplus								
Share of profit (loss) of associates and joint ventures accounted for using equity method	-	37,401	-	-	-	-	-	37,401
Write-off of Treasury Stock	(6,041)	(22,212)	-	-	-	-	28,253	-
Ending Balance, December 31, 2014	<u>2,235,481</u>	<u>3,588,009</u>	<u>1,071,291</u>	<u>1,382,626</u>	<u>24,645</u>	<u>206,500</u>	<u>-</u>	<u>8,508,552</u>
Net Income	-	-	-	598,178	-	-	-	598,178
Other Comprehensive Income	-	-	-	(1,911)	21,162	(50,453)	-	(31,202)
Total Comprehensive Income	-	-	-	596,267	21,162	(50,453)	-	566,976
Appropriation of Retained Earnings (note 1)								
Provision for Legal Reserve	-	-	90,441	(90,441)	-	-	-	-
Cash Dividend for Common Stock	-	-	-	(737,709)	-	-	-	(737,709)
Other Changes on Capital Surplus								
Share of profit (loss) of associates and joint ventures accounted for using equity method	-	135	-	-	-	-	-	135
Conversion of Convertible Bond	6,673	20,100	-	-	-	-	-	26,773
Ending Balance, December 31, 2015	<u>\$ 2,242,154</u>	<u>3,608,244</u>	<u>1,161,732</u>	<u>1,150,743</u>	<u>45,807</u>	<u>156,047</u>	<u>-</u>	<u>8,364,727</u>

* (1) : Remuneration of directors and supervisors of NT\$18,742 employee benefit of NT\$99,956 have been deducted from Comprehensive Income Statement

* (2) : Remuneration of directors and supervisors of NT\$23,553 employee benefit of NT\$125,617 have been deducted in Comprehensive Income Statement

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

English Translations of Financial Statements Originally Issued in Chinese

HOLY STONE ENTERPRISE COMPANY LIMITED

Statements of Cash Flows

For the years ended December 31, 2015 and 2014

(Expressed in Thousands of New Taiwan Dollars)

	<u>2015</u>	<u>2014</u>
Cash Flows generated from Operating activities:		
Income before Income Tax	\$ 734,567	1,044,952
Adjusted Items:		
Incomes or Expenses		
Depreciation	267,244	283,691
Bad Debt(Turnover)	506	(3,258)
Interest Expense	12,085	19,549
Interest Income	(13,677)	(15,154)
Gains or Losses from Subsidiary Using Equity Method	211,400	(138,770)
Gain or Losses on Disposal and Scrap of Property and Equipment	1,934	27,753
Gain or Losses on Sales of Available-for-Sales	-	(24,646)
Unrealized Gains and Losses on Sales	(7,351)	3,256
Total Incomes or Expenses	<u>472,141</u>	<u>152,421</u>
Change in Assets and Liabilities related to Operating Activities:		
Financial Assets at Fair Value through Profit or Loss - Current	39,107	(67,256)
Account and Notes Payable	507,919	87,511
Accounts Payable - Related Parties	(173,399)	116,631
Other Receivables	10,951	28,878
Inventory	338,481	296,505
Prepaid Expenses and Other Current Assets	2,518	(1,762)
Financial Liabilities at Fair Value through Profit or Loss - Current	-	(595)
Account and Notes Payable	(115,532)	(140,115)
Accounts Payable - Related Parties	6,767	(1,434)
Other Receivables	(24,699)	3,685
Accrued Pension Liabilities	(900)	(1,291)
Total of Adjusted Items	<u>1,063,354</u>	<u>473,178</u>
Cash Flow generated from Operations	1,797,921	1,518,130
Interest Collected	14,575	14,374
Dividends Collected	15,250	56,000
Interest Paid	(11,934)	(19,133)
Income Tax Paid	<u>(176,395)</u>	<u>(100,822)</u>
Net Cash Flows generated from Operating activities	<u>1,639,417</u>	<u>1,468,549</u>
Cash Flows generated from Investing Activities:		
Sale of Available-for-sale Financial Assets	-	27,723
Sale of Financial Assets carried at Cost	(24,246)	-
Acquisition of Property and Equipments	(64,240)	(105,582)
Sale of Property and Equipments	1,959	18,269
Decrease in Other Noncurrent Assets	(56)	1,113
Net Cash Flows generated from (used in) Investing Activities	<u>(86,583)</u>	<u>(58,477)</u>
Cash Flows generated from Financing Activities:		
Increase in Short-term Loans	-	75,569
Decrease in Short-term Loans	(496,687)	-
Repayments on Corporate Bonds	(75,699)	-
Repayments on Long-term Loans	-	(500,000)
Increase (Decrease) in Other Noncurrent Liabilities	1	15
Cash Dividend Distribution	<u>(737,709)</u>	<u>(625,934)</u>
Net Cash Flows used in Financing Activities	<u>(1,310,094)</u>	<u>(1,050,350)</u>
Increase (Decrease) in Cash and Cash in Banks of Current Period	242,740	359,722
Cash and Cash in Banks at Beginning of the Period	<u>1,407,191</u>	<u>1,047,469</u>
Cash and Cash in Banks at End of the Period	<u>\$ 1,649,931</u>	<u>1,407,191</u>

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

【Attachment 5】

English Translation of a Report Originally Issued in Chinese

Independent Auditors' Report

The Board of Directors and Shareholders
Holy Stone Enterprise Company Limited

We have audited the accompanying consolidated balance sheets of Holy Stone Enterprise Company Limited and subsidiaries as of December 31, 2015 and 2014, and the related consolidated statements of income, changes in consolidated shareholders equity and consolidated cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. Part of Holy Stone Enterprise Company Limited's investment that accounted under equity method was audited by other accountants. Therefore, the amount of partial Company financial statement among our opinion on these financial statements was according to other accountants' auditor's report. As of December 31, 2015 and 2014, the total assets made up 5.43% and 2.84% of consolidated total assets, respectively; the net income for the year ended December 31, 2015 and 2014 made up 6.57% and 3.90% of total net income, respectively.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred above present fairly, in all material respects, the consolidated financial position of Holy Stone Enterprise Company Limited as of December 31, 2015 and 2014, and the results of their consolidated operations and their consolidated cash flows for the years then ended in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting with respect to financial accounting standards and accounting principles generally accepted in the Republic of China.

KPMG

Accountants:

Taipei, Taiwan
Republic of China

March 15, 2016

HOLY STONE ENTERPRISE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2015, 2014

(Expressed in Thousands of New Taiwan Dollars)

Assets		2015.12.31		2014.12.31		Liabilities and Equity		2015.12.31		2014.12.31	
		Amount	%	Amount	%			Amount	%	Amount	%
Current Assets:						Current Liabilities:					
1100	Cash and Cash Equivalents (Note6.1)	\$ 2,905,532	24	2,567,832	19	2100	Short-term Loans (Note6.10&8)	\$ 1,300,187	11	1,816,874	14
1110	Financial Assets at Fair Value through Profit or Loss - Current (Note6.2&6.12)	618,567	5	868,712	7	2170	Accounts Payable	1,052,056	9	1,087,389	8
1150	Notes and Accounts Receivable, net (Note6.5&7)	3,046,660	25	3,417,539	26	2180	Accounts Payable - Related Parties (Note7)	19,701	-	28,336	-
1200	Other Receivables (Note6.5)	54,669	-	69,054	1	2200	Other Payable	599,627	5	652,811	1
130X	Inventories (Note6.6)	1,705,637	14	2,053,176	15	2230	Current Period Income Tax Liability	75,485	2	150,366	6
1410	Prepaid Expenses and Other Current Assets	37,327	-	48,639	-	2321	Current Portion of Puttable Corporate Bonds (Note6.12)	-	-	103,875	1
	Total Current Assets	8,368,392	68	9,024,952	68	2322	Current Portion of Long-term Debt (Note6.11&8)	2,122	-	2,081	-
Noncurrent Assets:							Total Current Liabilities	3,049,178	27	3,841,732	30
1523	Available-for-sale Financial Assets - Noncurrent (Note6.3)	320,671	3	405,901	3		Noncurrent Liabilities:				
1543	Financial Assets Carried at Cost - Noncurrent (Note6.4)	420,855	3	385,292	3	2540	Long-term Loans (Note6.11&8)	19,240	-	21,362	-
1600	Property, Plant and Equipment (Note6.8&8)	2,629,430	22	2,833,549	21	2570	Deferred Income Tax Liabilities (Note6.14)	45,752	-	59,786	-
1780	Intangible Assets (Note6.9)	314,614	3	480,814	4	2640	Accrued Pension Liabilities (Note6.13)	56,774	-	55,763	-
1840	Deferred Income Tax Assets (Note6.14)	29,079	-	34,196	-	2670	Other Noncurrent Liabilities - Others	2,301	-	2,383	-
1915	Prepaid Expense on Equipment	18,057	-	29,781	-		Total Noncurrent Liabilities	124,067	-	139,294	-
1990	Other Noncurrent Assets - Others (Note6.7&8)	74,140	1	101,762	1		Total Liabilities	3,173,245	27	3,981,026	30
	Total Noncurrent Assets	3,806,846	32	4,271,295	32		Equity Attributable to Parent Company (Note6.12, 6.13&6.15):				
	Total Assets	\$ 12,175,238	100	13,296,247	100	3110	Common Stock	2,242,154	18	2,235,481	17
						3200	Capital Surplus	3,608,244	30	3,588,009	27
							Retained Earnings:				
						3310	Legal Reserve	1,161,732	10	1,071,291	8
						3350	Unappropriated Earnings	1,150,743	9	1,382,626	10
							Total Retained Earnings	2,312,475	19	2,453,917	18
							Other Equity:				
						3410	Exchange Differences on Translation of Financial Statements of Foreign Operations	45,807	-	24,645	-
						3425	Unrealized gains and losses on Available-for-sale Financial Assets	156,047	1	206,500	2
							Total Other Equity	201,854	1	231,145	2
							Total Equity Attributable to Stockholders of Parent Company	8,364,727	68	8,508,552	64
						36XX	Non-Controlling Equity	637,266	5	806,669	6
							Total Equity	9,001,993	73	9,315,221	70
							Total Liabilities and Equity	\$ 12,175,238	100	13,296,247	100

The accompanying notes are an integral part of the financial statements.
Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

HOLY STONE ENTERPRISE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Income

For the years ended December 31, 2015, 2014

(Expressed in Thousands of New Taiwan Dollars, except earnings per share)

		2015		2014	
		Amount	%	Amount	%
4000	Net Sales (Note6.18&7)	\$ 13,595,819	100	16,024,893	100
5000	Cost of Goods Sold (Note6.6&7)	11,629,937	85	13,980,574	87
	Gross Profit	1,965,882	15	2,044,319	13
	Operating Expense				
6100	Selling and Administrative (Note13)	1,091,260	8	1,131,675	7
6300	Research and Development (Note13)	240,128	2	209,959	1
	Total Operating Expense	1,331,388	10	1,341,634	8
	Operating Income	634,494	5	702,685	5
	Non-Operating Income and Expenses:				
7020	Other Gains and Losses (Note6.7&6.20)	(28,341)	-	236,492	1
7050	Financial Costs (Note6.12)	(15,859)	-	(27,842)	-
7100	Interest Income	24,344	-	41,675	-
	Total Non-Operating Income and Expenses	(19,856)	-	250,325	1
7900	Income before Income Tax	614,638	5	953,010	6
7050	Less: Income Tax Expense (Note6.14)	(142,852)	(1)	(157,806)	(1)
	Net Income for Current Period	471,786	4	795,204	5
8300	Other Comprehensive Gains and Losses:				
8310	Revaluation income				
8311	Defined benefit plan	(1,911)	-	1,764	-
8349	Income Tax incurred	-	-	-	-
	Total Revaluation income	(1,911)	-	1,764	-
8360	Revaluation income arising from reclassification				
8361	Exchange Differences on Translation of Financial Statements of Foreign Operations	27,819	-	58,202	-
8362	Unrealized Valuation Gains (Loss) on Available-for-sale Financial Assets	(83,558)	(1)	(188,097)	(1)
8399	Income Tax related to reclassification	(2,824)	-	(16,281)	-
	Total Revaluation income arising from reclassification	(58,563)	(1)	(146,176)	(1)
8300	Other Comprehensive Income for Current Period (after tax)	(60,474)	(1)	(144,412)	(1)
	Total Comprehensive Income for Current Period	\$ 411,312	3	650,792	4
	Total Net Income for Current Period attributable to:				
8610	Parent Company	\$ 598,178	5	904,408	6
8620	Non-controlling Equity	(126,392)	(1)	(109,204)	(1)
		\$ 471,786	4	795,204	5
	Total Comprehensive Income for Current Period attributable to:				
8710	Parent Company	\$ 566,976	4	828,511	5
8720	Non-controlling Equity	(155,664)	(1)	(177,719)	(1)
		\$ 411,312	3	650,792	4
	Earnings per Share (Note 6.17)				
9750	Basic Earnings per Share (Unit: NT Dollar)*	\$ 2.67		4.05	
9850	Diluted Earnings per Share (Unit: NT Dollar)*	\$ 2.61		3.93	

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

English Translations of Consolidated Financial Statements Originally Issued in Chinese

HOLY STONE ENTERPRISE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity

For the years ended December 31, 2015, 2014

(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Stockholders of Parent Company				Other Equity			Total Equity Attributable to		
	Common Stock	Capital Surplus	Retained Earnings		Exchange Differences on Translation Of financial Statements of Foreign Operations	Unrealized Gain (Loss) On Available-for-sale Financial Products	Treasury Stock	Stockholders of Parent Company*	Non-Controlling Equity	Total Equity
			Legal Reserve	Unappropriated Earnings*						
Beginning Balance, January 1, 2014	\$ 2,241,522	3,572,820	1,001,724	1,171,955	(26,700)	335,000	(28,253)	8,268,574	1,020,078	9,288,652
Net Income for Current Period	-	-	-	904,408	-	-	-	904,408	(109,204)	795,204
Other Comprehensive Profit or Loss for Current Period	-	-	-	1,764	51,000	(129,000)	-	(75,897)	(68,515)	(144,412)
Total Comprehensive Profit or Loss for Current Period	-	-	-	906,172	51,000	(129,000)	-	828,511	(177,719)	650,792
Appropriation of Earnings:										
Legal reserve	-	-	69,567	(69,567)	-	-	-	-	-	-
Cash Dividend for Common Stock	-	-	-	(625,934)	-	-	-	(625,934)	(9,720)	(635,654)
Other changes in Capital Surplus:										
Profit(loss) of associates and joint ventures accounted for using equity method	-	37,401	-	-	-	-	-	37,401	-	37,401
Write-off of Treasury Stock	(6,041)	(22,212)	-	-	-	-	28,253	-	-	-
Non-Controlling Equity	-	-	-	-	-	-	-	-	(25,970)	(25,970)
Ending Balance, September 31, 2014	2,235,481	3,588,009	1,071,291	1,382,626	24,000	206,000	-	8,508,552	806,669	9,315,221
Net Income for Current Period	-	-	-	598,178	-	-	-	598,178	(126,392)	471,786
Other Comprehensive Profit or Loss for Current Period	-	-	-	(1,911)	21,000	(50,000)	-	(31,202)	(29,272)	(60,474)
Total Comprehensive Profit or Loss for Current Period	-	-	-	596,267	21,000	(50,000)	-	566,976	(155,664)	411,312
Appropriation of Earnings:										
Legal reserve	-	-	90,441	(90,441)	-	-	-	-	-	-
Cash Dividend for Common Stock	-	-	-	(737,709)	-	-	-	(737,709)	-	(737,709)
Other changes in Capital Surplus:										
Profit(loss) of associates and joint ventures accounted for using equity method	-	135	-	-	-	-	-	135	-	135
Conversion of convertible bond	6,673	20,100	-	-	-	-	-	26,773	-	26,773
Increase/decrease in non-controlling equity	-	-	-	-	-	-	-	-	(13,739)	(13,739)
Ending Balance, December 31, 2015	\$ 2,242,154	3,608,244	1,161,732	1,150,743	45,000	156,000	-	8,364,727	637,266	9,001,993

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

HOLY STONE ENTERPRISE COMPANY LIMITED AND SUBSIDIARIES

Consolidated Statement of Cash Flows

For the years ended December 31, 2015, 2014

(Expressed in Thousands of New Taiwan Dollars)

	<u>2015</u>	<u>2014</u>
Cash Flows generated from Operating activities:		
Income before Income Tax	\$ 614,638	953,010
Adjusted Items:		
Incomes or Expenses		
Depreciation	307,786	330,238
Amortization	3,418	3,616
Bad Debt Reclassified as Income	(6,293)	2,834
Financial Assets at Fair Value through Profit or Loss	(36,167)	-
Interest Expense	15,859	20,363
Interest Income	(24,344)	(41,675)
Dividend Income	(29,183)	-
Gain on Disposal and Scrap of Property and Equipment	2,335	(439)
Gain on Disposal of Investments	(11,986)	-
Impairment Loss on Goodwill	175,192	96,672
Total Incomes or Expenses that do not affect Cash Flow	<u>396,617</u>	<u>411,609</u>
Change in Assets and Liabilities related to Operating Activities:		
Net Change in Assets related to Operating Activities:		
Financial Assets at Fair Value through Profit or Loss - Current	284,355	(186,647)
Notes and Accounts Receivable	377,074	89,101
Other Receivables	13,410	43,112
Inventory	347,539	240,938
Prepaid Expenses and Other Current Assets	11,312	99,297
Total of Net Change in Assets related to Operating Activities	<u>1,033,690</u>	<u>285,801</u>
Net Change in Liabilities related to Operating Activities:		
Financial Liabilities at Fair Value through Profit or Loss - Current	-	(595)
Notes and Accounts Payable	(35,333)	(129,636)
Accounts Payable - Related Parties	(8,635)	14,936
Other Payables	(47,039)	86,276
Accrued Pension Liabilities-Noncurrent	(900)	(1,291)
Total Net Change in Liabilities related to Operating Activities	<u>(91,907)</u>	<u>(30,310)</u>
Total Net Change in Assets and Liabilities related to Operating Activities	<u>941,783</u>	<u>255,491</u>
Total of Adjusted Items	<u>1,338,400</u>	<u>667,100</u>
Cash Flow generated from Operations	1,953,038	1,620,110
Interest Received	25,319	43,578
Dividend Received	29,183	-
Interest Paid	(14,882)	(16,297)
Income Tax Paid	(229,672)	(94,244)
Net Cash Flows generated from Operating activities*	<u>1,762,986</u>	<u>1,553,147</u>
Cash Flows generated from Investing Activities:		
Sale of Available-for-sale Financial Assets	9,422	5,330
Acquisition of Financial Assets carried at Cost	(53,953)	(31,875)
Sale of Financial Assets carried at Cost	22,407	-
Disposal of subsidiaries	-	95,786
Acquisition of Property and Equipments	(104,192)	(120,322)
Disposal of Property and Equipments	2,425	16,483
Acquisition of Intangible Assets	(771)	(386)
Increase (Decrease) in Other Noncurrent Assets	30,180	(83,858)
Net Cash Flows generated from (used in) Investing Activities	<u>(94,482)</u>	<u>(118,842)</u>
Cash Flows generated from Financing Activities:		
Increase (Decrease) in Short-term Loans	(516,687)	(295,551)
Payment on corporate bonds	(75,699)	-
Borrowings on Long-term Loans	-	51,000
Repayments on Long-term Loans	(2,081)	(616,154)
Decrease (Increase) in Other Noncurrent Liabilities	(82)	2,215
Cash Dividend Payout	(737,709)	(635,654)
Changes in Non-Controlling Equity	(13,386)	11,431
Net Cash Flows (generated from) used in Financing Activities*	<u>(1,345,644)</u>	<u>(1,482,713)</u>
Effect of Exchange Rate Changes in Cash and Cash Equivalents*	14,840	63,167
Increase in Cash and Cash in Banks of Current Period	337,700	14,759
Cash and Cash in Banks at Beginning of the Period	2,567,832	2,553,073
Cash and Cash in Banks at End of the Period	<u>\$ 2,905,532</u>	<u>2,567,832</u>

The accompanying notes are an integral part of the financial statements.

Chairman: Jing-Rong Tang

President: Jing-Rong Tang

Accountant Manager: Shu-Ying Chang

【Attachment 6】**Holy Stone Enterprise Co., Ltd.****Earnings Distribution Table**

December 31, 2015

Unit: NT\$

Item	Amount	Total Amount
Net Income of 2015	598,178,242	
Less : Legal Reserve	59,817,824	
Earning in 2015 Available for Distribution		538,360,418
Beginning Unappropriated retained earnings	554,476,087	
Plus : Other comprehensive loss for current period	-1,911,069	
Plus : Beginning Unappropriated retained earnings		552,565,018
Total Earning in 2015 Available for Distribution		1,090,925,436
Less : Distribution Item		
Cash Dividends		560,538,495
Ending Unappropriated retained earnings		530,386,941

1.The outstanding shares are 224,215,398 shares which are based on February 28, 2016.

2.As a result of the cash capital increase, treasury shares buy back or to transfer and cancellation of treasury shares, convertible bonds creditor to perform the conversion rights, or employees by way of warrants execution rights, and or other factors, so that when the impact of the company's total outstanding number of shares, the Board of Directors under this resolution of the meeting of shareholders will adjust the distribution ratio, according to the actual number of outstanding shares of the distribution record date.

【Attachment 7】

Holy Stone Enterprise Co., Ltd.

Comparison Table for Amendment to the Operational Procedures for Loaning of Company Funds

No.	Post-Amendment	Pre-Amendment	Explanation
<p>Article 3</p>	<p>Total amount of funds lending and limit for each recipient :</p> <p>(1) The funds lending total amount shall not exceed 40 percent of the Company’s net worth.</p> <p>(2) When lending funds to other companies or enterprises with which the Company has business relations, the amount lent to a single recipient shall not exceed the total transaction amount between the recipient and the Company in the past 12 months and the funds lending total amount shall not exceed 10 percent of the Company’s net worth.</p> <p>(3) When providing short-term financing to other companies of enterprises, the total short-term financing amount to a single recipient shall not exceed 30 percent of the Company’s net worth.</p> <p>(Omitted , the rest of paragraph has no change.)</p>	<p>Total amount of funds lending and limit for each recipient :</p> <p>(1) The total amount of funds lending shall not exceed 40 percent of the Company’s net worth.</p> <p>(2) When lending funds to other companies or enterprises with which the Company has business relations, the amount lent to a single recipient shall not exceed the total transaction amount between the recipient and the Company in the past 12 months and shall not exceed 10 percent of the Company’s net worth.</p> <p>(3) When providing short-term financing to other companies of enterprises, the short-term financing amount to a single recipient shall not exceed 40 percent of the Company total amount of funds lending.</p> <p>(Omitted , the rest of paragraph has no change.)</p>	<p>According to the “Regulations Governing Loaning of Funds and Making of Endorsements /Guarantees by Public Companies</p>
<p>Article 11</p>	<p>Supplementary :</p> <p>(1) Any matters which are not provided herein shall be governed by applicable laws and regulations.</p>	<p>Supplementary :</p> <p>(1) Any matters which are not provided herein shall be governed by applicable laws and regulations.</p>	<p>Amending date</p>

No.	Post-Amendment	Pre-Amendment	Explanation
	(2) The amendment was made on June 7, 2016.	(2) The amendment was made on June 14, 2013.	