

**HOLY STONE ENTERPRISE COMPANY LIMITED**  
**Balance Sheets**  
**December 31, 2008 and 2007**  
**(Expressed in Thousands of New Taiwan Dollars)**

	12.31.2008		12.31.2007		YoY		12.31.2008		12.31.2007		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 equivalents	\$1,107,952	10	1,043,679	10	6	Short-term loans	\$656,469	6	715,386	7	(8)
Financial assets at fair value through profit or loss-current	229,612	2	268,215	3	(14)	Notes and Accounts Payable	1,001,390	9	1,049,313	11	(5)
Notes and accounts receivable, net	2,106,941	20	2,593,277	26	(19)	Payables to related parties	36,673	-	77,146	1	(52)
Receivables from related parties	838,033	8	836,416	8	0	Income tax payable	13,390	-	143,205	1	(91)
Other financial assets-current	122,941	1	128,638	1	(4)	Accrued expenses and other current liabilities	385,113	4	335,892	3	15
Inventories, net	1,666,465	16	1,637,237	16	2	Current portion of bonds payable	126,800	1	204,400	2	(38)
Prepaid expenses and other current assets	148,787	1	144,900	2	3	Current portion of long-term debt	51,000	-	-	-	100
<b>Total current assets</b>	<b>6,220,731</b>	<b>58</b>	<b>6,652,362</b>	<b>66</b>	<b>(6)</b>	<b>Total current liabilities</b>	<b>2,270,835</b>	<b>20</b>	<b>2,525,342</b>	<b>25</b>	<b>(10)</b>
<b>Funds and investments:</b>						<b>Long-term liabilities</b>	<b>1,137,250</b>	<b>11</b>	<b>-</b>	<b>-</b>	<b>100</b>
Available-for-sale financial assets-noncurrent	485,495	5	412,183	4	18	<b>Other liabilities:</b>					
Financial assets carried at cost-noncurrent	-	-	87,583	1	(100)	Accrued pension liabilities	12,740	-	6,442	-	98
Long-term equity investments under equity	1,669,365	16	837,659	8	99	Other liabilities	272	-	272	-	0
<b>Total funds and investments</b>	<b>2,154,860</b>	<b>21</b>	<b>1,337,425</b>	<b>13</b>	<b>61</b>	<b>Total other liabilities</b>	<b>13,012</b>	<b>-</b>	<b>6,714</b>	<b>-</b>	<b>94</b>
<b>Property, plant and equipment:</b>						<b>Total liabilities</b>	<b>3,421,097</b>	<b>31</b>	<b>2,532,056</b>	<b>25</b>	<b>35</b>
Land	440,783	4	440,783	4	0	<b>Stockholders' equity:</b>					
Buildings	753,838	7	781,279	8	(4)	Common stock	2,806,456	26	2,703,274	27	4
Machinery and equipment	1,409,761	13	1,240,240	12	14	Capital surplus	2,741,791	26	2,747,093	27	0
Leasing assets	71,071	1	71,071	1	0	Retained earnings:					
Other equipment	253,995	2	268,397	3	(5)	Legal reserve	624,427	6	505,526	5	24
Subtotal	2,929,448	27	2,801,770	28	5	Unappropriated earnings	1,096,352	10	1,499,846	15	(27)
Less: Accumulated depreciation	(945,300)	(9)	(844,557)	(8)	12		1,720,779	16	2,005,372	20	(14)
Construction in progress and prepayments for equipment	360,457	3	108,779	1	231	Others:					
<b>Net property, plant and equipment</b>	<b>2,344,605</b>	<b>21</b>	<b>2,065,992</b>	<b>21</b>	<b>13</b>	Cumulative translation adjustments	73,076	1	6,394	-	1,043
<b>Other assets</b>	<b>7,028</b>	<b>-</b>	<b>6,855</b>	<b>-</b>	<b>3</b>	Net loss unrecognized as pension cost	(6,406)	-	-	-	(100)
						Unrealized gain or loss on financial instruments	(29,569)	-	83,013	1	(136)
							37,101	1	89,407	1	(59)
						Treasury stock	-	-	(14,568)	-	(100)
						<b>Total stockholders' equity</b>	<b>7,306,127</b>	<b>69</b>	<b>7,530,578</b>	<b>75</b>	<b>(3)</b>
						<b>Commitments and contingencies</b>					
<b>Total assets</b>	<b>\$10,727,224</b>	<b>100</b>	<b>10,062,634</b>	<b>100</b>	<b>7</b>	<b>Total liabilities and stockholders' equity</b>	<b>\$10,727,224</b>	<b>100</b>	<b>10,062,634</b>	<b>100</b>	<b>7</b>

**HOLY STONE ENTERPRISE Company Limited**  
**Statements of Income**  
**For the three months ended December 31, 2008**  
**(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)**

	Sequential comparison				Year over year comparison			
	4Q 2008	% of sales	3Q 2008	QoQ %	4Q 2008	% of sales	4Q 2007	YoY %
Net sales	\$2,536,387	100.0	3,720,314	(31.8)	2,536,387	100.0	3,373,944	(24.8)
Cost of goods sold	<u>(2,247,485)</u>	<u>(88.6)</u>	<u>(3,242,761)</u>	<u>(30.7)</u>	<u>(2,247,485)</u>	<u>(88.6)</u>	<u>(2,927,494)</u>	<u>(23.2)</u>
Gross profit	288,902	11.4	477,553	(39.5)	288,902	11.4	446,450	(35.3)
Unrealized gross profit from affiliates	10,502	0.4	(3,393)	(409.5)	10,502	0.4	9,618	9.2
Realized gross profit	299,404	11.8	474,160	(36.9)	299,404	11.8	456,068	(34.4)
Operating expenses	<u>(220,462)</u>	<u>(8.7)</u>	<u>(185,706)</u>	<u>18.7</u>	<u>(220,462)</u>	<u>(8.7)</u>	<u>(171,250)</u>	<u>28.7</u>
Operating income	78,942	3.1	288,454	(72.6)	78,942	3.1	284,818	(72.3)
Non-operating income and gain	77,574	3.1	71,993	7.8	77,574	3.1	44,763	73.3
Non-operating expenses and losses	<u>(147,174)</u>	<u>(5.8)</u>	<u>(60,838)</u>	<u>141.9</u>	<u>(147,174)</u>	<u>(5.8)</u>	<u>(80,392)</u>	<u>83.1</u>
Income before income tax	9,342	0.4	299,609	(96.9)	9,342	0.4	249,189	(96.3)
Income tax expense	<u>(12,225)</u>	<u>(0.5)</u>	<u>(39,880)</u>	<u>(69.3)</u>	<u>(12,225)</u>	<u>(0.5)</u>	<u>(45,771)</u>	<u>(73.3)</u>
Net income	<u><u>(\$2,883)</u></u>	<u><u>(0.1)</u></u>	<u><u>259,729</u></u>	<u><u>(101.1)</u></u>	<u><u>(2,883)</u></u>	<u><u>(0.1)</u></u>	<u><u>203,418</u></u>	<u><u>(101.4)</u></u>
Earnings per share-before tax * (NT Dollars)	<u>\$0.03</u>		<u>\$1.07</u>		<u>\$0.03</u>		<u>\$0.92</u>	
Earnings per share-after tax * (NT Dollars)	<u><u>(\$0.01)</u></u>		<u><u>\$0.93</u></u>		<u><u>(\$0.01)</u></u>		<u><u>\$0.75</u></u>	

Remarks: EPS calculation is based on the outstanding shares at the end of each quarter.

# HOLY STONE ENTERPRISE COMPANY LIMITED

## Statements of Income

For the years ended December 31, 2008 and 2007

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

	2008		2007		YoY
	Amount	%	Amount	%	%
<b>Gross sales</b>	\$12,927,172	101	13,370,456	102	(3.3)
Less: Sales returns and allowances	(149,718)	(1)	(204,811)	(2)	(26.9)
<b>Net sales</b>	12,777,454	100	13,165,645	100	(2.9)
<b>Cost of goods sold</b>	(11,193,741)	(88)	(11,006,966)	(84)	1.7
<b>Gross profit</b>	1,583,713	12	2,158,679	16	(26.6)
Unrealized gross profit from affiliates	11,528	-	(9,612)	-	(219.9)
<b>Realized gross profit</b>	1,595,241	12	2,149,067	16	(25.8)
<b>Operating expenses:</b>					
Selling and administrative	(624,578)	(5)	(504,459)	(4)	23.8
Research and development	(133,189)	(1)	(149,537)	(1)	(10.9)
	(757,767)	(6)	(653,996)	(5)	15.9
<b>Operating income</b>	837,474	6	1,495,071	11	(44.0)
<b>Non-operating income and gains:</b>					
Interest income	13,343	-	15,049	-	(11.3)
Investment income recognized under equity method	97,958	1	0	-	100.0
Dividend income	14,181	-	17,108	-	(17.1)
Gain on disposal of investment	52,697	-	76,090	1	(30.7)
Foreign exchange gain, net	61,873	-	1,497	-	4,033.1
Others	11,234	-	8,753	-	28.3
	251,286	1	118,497	1	112.1
<b>Non-operating expenses and losses:</b>					
Interest expenses	(38,140)	-	(40,375)	-	(5.5)
Investment loss recognized under equity method	0	-	(49,244)	-	(100.0)
Losses on inventory valuation and obsolescence	(120,236)	(1)	(5,720)	-	2,002.0
Impairment loss	(81,998)	(1)	(15,893)	-	415.9
Valuation loss on financial instruments	(3,482)	-	(4,682)	-	(25.6)
Others	(30,560)	-	(23,296)	-	31.2
	(274,416)	(2)	(139,210)	-	97.1
<b>Income before income tax</b>	814,344	5	1,474,358	12	(44.8)
<b>Income tax expense</b>	(139,847)	(1)	(285,351)	(2)	(51.0)
<b>Net income</b>	<b>\$674,497</b>	<b>4</b>	<b>1,189,007</b>	<b>10</b>	<b>(43.3)</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><u>\$2.91</u></b>	<b><u>2.41</u></b>	<b><u>5.52</u></b>	<b><u>4.45</u></b>
<b>Basic earnings per share—retroactive</b>			<b><u>\$5.35</u></b>	<b><u>4.31</u></b>
<b>Diluted earnings per share</b>	<b><u>\$2.83</u></b>	<b><u>2.34</u></b>	<b><u>5.33</u></b>	<b><u>4.3</u></b>
<b>Diluted earnings per share—retroactive</b>			<b><u>\$5.18</u></b>	<b><u>4.17</u></b>

**HOLY STONE ENTERPRISE COMPANY LIMITED**  
**Statements of Changes in Stockholders' Equity**  
**For the years ended December 31, 2008 and 2007**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Retained Earnings					Others			Treasury stock	Total shareholders' equity
	Common stock	Capital surplus	Legal reserve	Special capital reserve	Unappropriated earnings	Cumulative translation adjustments	Net loss not recognized as pension cost	Unrealized gain or loss on financial instruments		
<b>Balance on January 1, 2007</b>	\$ 2,459,742	2,546,528	391,599	293	1,340,863	2,776	-	56,808	(13,957)	6,784,652
Appropriation of prior year's earnings										
Legal reserve	-	-	113,927	-	(113,927)	-	-	-	-	-
Reversal of special reserve	-	-	-	(293)	293	-	-	-	-	-
Stock dividends to shareholders	73,126	-	-	-	(73,126)	-	-	-	-	-
Stock dividends to employees as bonus	66,000	-	-	-	(66,000)	-	-	-	-	-
Cash dividends	-	-	-	-	(731,264)	-	-	-	-	(731,264)
Employees bonus-cash	-	-	-	-	(20,000)	-	-	-	-	(20,000)
Directors and supervisors remuneration	-	-	-	-	(26,000)	-	-	-	-	(26,000)
Capital surplus transferred to capital stock	24,375	(24,375)	-	-	-	-	-	-	-	-
Repurchase of treasury stock	-	-	-	-	-	-	-	-	(151,798)	(151,798)
Treasury stock sold to employees	-	(5)	-	-	-	-	-	-	165,755	165,750
Convertible bonds converted into common stock and capital surplus	76,936	226,164	-	-	-	-	-	-	-	303,100
Exercise of employee stock options	3,095	3,745	-	-	-	-	-	-	-	6,840
Adjustment for available-for-sale financial assets	-	-	-	-	-	-	-	26,205	-	26,205
Cumulative translation adjustments	-	-	-	-	-	3,618	-	-	-	3,618
Adjustment on long-term equity investments	-	(4,964)	-	-	-	-	-	-	-	(4,964)
Subsidiary trading in parent stocks	-	-	-	-	-	-	-	-	(14,568)	(14,568)
Net income for 2007	-	-	-	-	1,189,007	-	-	-	-	1,189,007
<b>Balance on December 31, 2007</b>	2,703,274	2,747,093	505,526	-	1,499,846	6,394	-	83,013	(14,568)	7,530,578
Appropriation of prior year's earnings										
Legal reserve	-	-	118,901	-	(118,901)	-	-	-	-	-
Stock dividends to shareholders	27,035	-	-	-	(27,035)	-	-	-	-	-
Stock dividends to employees as bonus	56,500	-	-	-	(56,500)	-	-	-	-	-
Cash dividends	-	-	-	-	(811,055)	-	-	-	-	(811,055)
Employees bonus-cash	-	-	-	-	(37,500)	-	-	-	-	(37,500)
Directors and supervisors remuneration	-	-	-	-	(27,000)	-	-	-	-	(27,000)
Convertible bonds converted into common stock and capital surplus	19,647	52,653	-	-	-	-	-	-	-	72,300
Net loss not recognized as pension cost	-	-	-	-	-	-	(6,406)	-	-	(6,406)
Adjustment for available-for-sale financial assets	-	-	-	-	-	-	-	(50,379)	-	(50,379)
Cumulative translation adjustments	-	-	-	-	-	66,682	-	-	-	66,682
Adjustment on long-term equity investments	-	(57,955)	-	-	-	-	-	(62,203)	-	(120,158)
Subsidiary trading in parent stocks	-	-	-	-	-	-	-	-	14,568	14,568
Net income for 2008	-	-	-	-	674,497	-	-	-	-	674,497
<b>Balance on December 31, 2008</b>	<b>\$ 2,806,456</b>	<b>2,741,791</b>	<b>624,427</b>	<b>-</b>	<b>1,096,352</b>	<b>73,076</b>	<b>(6,406)</b>	<b>(29,569)</b>	<b>-</b>	<b>7,306,127</b>

**HOLY STONE ENTERPRISE COMPANY LIMITED**  
**Statements of Cash Flows**  
**For the years ended December 31, 2008 and 2007**  
**(Expressed in Thousands of New Taiwan Dollars)**

	2008	2007
<b>Cash flows from operating activities:</b>		
<b>Net Income</b>	\$ 674,497	1,189,007
<b>Adjustments to reconcile net income to cash provided by operating activities</b>		
Depreciation	226,209	191,325
Amortization	-	16,602
Other expenditures-accumulated depreciation on assets leased to others	448	448
Deferred credits-Unrealized gain (loss) from intercompany profit	(11,528)	9,612
Allowance for doubtful accounts	26,712	(811)
Loss on retirement of inventory	24,461	21,736
Unrealized inventory valuation loss	120,236	5,720
Gain on disposal of long-term investments accounted for using equity method	(49,850)	(7,525)
Gain on disposal of available-for-sale financial assets	(2,847)	(67,766)
Loss on disposal of property, plant and equipment, net	5,578	1,042
Property, plant and equipment reclassified as expense	1,234	3,180
Cash dividends from investee's company accounted for using equity method	4,637	5,181
Investment loss (gain) accounted for using equity method, net	(97,958)	49,244
Impairment loss	81,998	15,893
Deferred income tax expense (benefit)	(17,747)	1,465
<b>Changes in assets and liabilities:</b>		
Decrease in financial assets at fair value through profit or loss	38,603	160,453
Decrease in notes and accounts receivable	473,283	140,433
Increase in receivables from related parties	(15,276)	(221,317)
Decrease (increase) in other financial assets	17,280	(21,592)
Increase in inventories	(173,925)	(153,444)
Decrease (increase) in prepaid expenses and other current assets	13,860	(73,081)
Decrease in notes and accounts payable	(47,923)	(11,259)
Decrease in payables from related parties	(40,473)	(46,568)
Decrease in income tax payable	(129,815)	(538)
Increase (decrease) in accrued expenses and other current liabilities	48,748	(22,037)
Decrease in accrued pension liabilities	(108)	(3,217)
<b>Net cash provided from operating activities</b>	<u>1,170,334</u>	<u>1,182,186</u>
<b>Cash flows from investing activities:</b>		
Proceeds from sale of property, plant and equipment	3,173	1,236
Additions to property, plant and equipment	(590,552)	(387,508)
Proceeds from sale of available-for-sale financial assets	13,288	121,240
Proceeds from long-term investments	25,675	75,221
Proceeds from return of capital by investee's company accounted for using equity method	-	14,274
Increase in financial assets carried at cost-noncurrent	-	(46,063)
Increase in long-term equity investments	(811,250)	(163,561)
Increase in other asset	(173)	(1,846)
<b>Net cash used in investing activities</b>	<u>(1,359,839)</u>	<u>(387,007)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term loans	(58,917)	226,453
Borrowing of long-term loans	1,189,000	-
Repayment of long term loans	(750)	-
Cash dividends	(811,055)	(731,264)
Directors' and supervisors' remuneration & employees' bonus	(64,500)	(46,000)
Exercise of employee stock options	-	6,840
Purchase of treasury stock	-	(151,798)
Decrease in treasury stock	-	165,750
<b>Net cash used in financing activities</b>	<u>253,778</u>	<u>(530,019)</u>
<b>Net increase in cash and cash equivalents</b>	64,273	265,160
<b>Cash and cash equivalents at beginning of period</b>	1,043,679	778,519
<b>Cash and cash equivalents at end of period</b>	<u>\$ 1,107,952</u>	<u>1,043,679</u>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid, excluding capitalization of interest	<u>\$ 40,332</u>	<u>43,040</u>
Income tax paid	<u>\$ 287,428</u>	<u>284,424</u>
<b>Supplement information on non-cash investing and financing activities:</b>		
Unrealized loss (gain) on available-for-sale financial instruments	<u>\$ 112,582</u>	<u>(26,205)</u>
Changes in capital reserve from long-term equity investments	<u>\$ (57,955)</u>	<u>(4,964)</u>
Current portion of bonds payable and long-term debt	<u>\$ 177,800</u>	<u>204,400</u>
Convertible bonds converted into common stock and capital surplus	<u>\$ 72,300</u>	<u>303,100</u>
Net loss not recognized as pension cost	<u>\$ 6,406</u>	<u>-</u>
Transfer of property, plant and equipment to other assets	<u>\$ 81,998</u>	<u>-</u>
<b>Cash used in acquisition of property, plant and equipment</b>		
Acquisition of property, plant and equipment	\$ 597,253	427,126
Add: Payable at beginning of period	65,347	25,729
Less: Payable at end of period	(72,048)	(65,347)
Payment in cash	<u>\$ 590,552</u>	<u>387,508</u>