

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD.
STATEMENTS OF INCOME (CONSOLIDATED)
For the Years Ended December 31, 2016 and 2015

		2016	2015
		NT\$'000	NT\$'000
Operating Revenues			
Net operating revenues	4,6(17),7	20,081,683	17,128,536
Cost of goods sold	6(5),6(8),6(9),6(14),6(18),6(19),7	<u>(14,152,516)</u>	<u>(12,334,553)</u>
Gross Profit		<u>5,929,167</u>	<u>4,793,983</u>
Operating Expenses	6(8),6(9),6(14),6(18),6(19)		
Selling expenses		(300,055)	(269,328)
Administrative expenses		(1,194,609)	(1,141,722)
Research and development expenses		<u>(732,572)</u>	<u>(679,573)</u>
Total operating expenses		<u>(2,227,236)</u>	<u>(2,090,623)</u>
Operating Income(loss)		<u>3,701,931</u>	<u>2,703,360</u>
Non-operating Income			
Other income	6(20)	126,352	139,176
Other profit or loss	6(20)	70,037	118,212
Financial cost	6(8),6(20)	(192,784)	(171,768)
Gain on the shareportion of associates and joint venture - equity method	6(7)	<u>(115,253)</u>	<u>59,621</u>
Total non-operating income		<u>(111,648)</u>	<u>145,241</u>
Net income before tax		3,590,283	2,848,601
Income tax expense	4,6(22)	<u>(608,506)</u>	<u>(566,328)</u>
Net Income		<u>2,981,777</u>	<u>2,282,273</u>
Other comprehensive income	4,6(21)		
Items that will not be classified to profit or loss			
Remeasurements of post employment benefit obligations		(55,258)	(59,715)
Items that may be subsequentli reclassified to profit or loss			
Exchange differecnce on translation of foreign financial statements		(390,250)	(95,655)
Unrealized gain or loss on available-for-sale financial instruments		<u>12,721</u>	<u>(6,195)</u>
Other comprehensive profit and loss for the period (net income post-tax)		<u>(432,787)</u>	<u>(161,565)</u>
Total comprehensive income		<u>2,548,990</u>	<u>2,120,708</u>
Net income belonging to :			
Owner		2,981,198	2,281,546
Non-controlling interest		<u>579</u>	<u>727</u>
		<u>2,981,777</u>	<u>2,282,273</u>
Total comprehensive income belonging to :			
Owner		2,548,408	2,119,822
Non-controlling interest		<u>582</u>	<u>886</u>
		<u>2,548,990</u>	<u>2,120,708</u>
Earnings Per Share	4,6(23)		
Basic Earnings Per Share		<u>\$ 2.56</u>	<u>\$ 1.93</u>
Diluted Earnings Per Share		<u>\$ 2.49</u>	<u>\$ 1.91</u>

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

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

STATEMENTS OF CASH FLOWS (CONSOLIDATED)

For the Years ended December 31, 2016 and 2015

	For the twelve-month period ended December 31,	
	2016	2015
	NT\$'000	NT\$'000
Cash flows from operating activities:		
Net income before tax	3,590,283	2,848,601
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation (including other assets)	5,554,091	5,114,437
Amortization	18,555	11,236
Interest expense	192,784	171,768
Interest income	(25,090)	(71,072)
Dividend income	(11,954)	(362)
Stock-based compensation expenses	-	4,411
Gain on the shareportion of associates and joint venture - equity method	115,253	(59,621)
Gain on disposal (retirement) of property, plant & equipments	(47,420)	(42,260)
Gain on reversal of bad debts.	(14,184)	-
Gain on disposal of other assets	-	(35,731)
Gain on disposal of investments	-	(188)
Impairment loss on financial assets	72,060	9,681
Impairment loss on non-financial assets	67,733	25,000
Unrealized loss (gain) on foreign exchange	(67,242)	(5,861)
Varies in the value of assets and liabilities related to operation activities :		
Notes receivable	(5,787)	2,939
Accounts receivable	(681,631)	486,519
Accounts receivables from related parties	(283,443)	31,174
Other receivables	(26,065)	80,264
Other receivables from related parties	(29,110)	3,200
Inventories	(260,265)	(127,945)
Prepayments	90,287	177,772
Other current assets	(107,534)	(50,186)
Notes payable	4,052	2,893
Accounts payable	122,611	31,561
Accounts payable to related parties	7,905	-
Other accounts payable	438,089	(25,928)
Other payables to related parties	(17,630)	22,338
Accrued pension liabilities	6,166	9,922
Other current liabilities	(9,629)	(6,083)
Cash provided by operating activities	<u>8,692,885</u>	<u>8,608,479</u>
Gain on interest	23,239	71,182
Paid income tax	<u>(365,613)</u>	<u>(395,149)</u>
Net cash provided by operating activities	<u>8,350,511</u>	<u>8,284,512</u>

	For the twelve-month period ended December 31,	
	2016	2015
	NT\$'000	NT\$'000
Cash flows from investing activities:		
Acquisition of financial assets in available-for-sale	-	(137,877)
Disposal of financial assets in available-for-sale	-	79,968
Returning cash of capital reduction by financial assets in available-for-sale	-	800
Acquisition of financial assets measured at cost - noncurrent	-	(1,000,000)
Financial assets at cost-noncurrent capital deducted by returning cash	14,625	11,118
Acquisition of investments accounted under the equity method	(10,200)	(2,179)
Acquisition of property, plant and equipment	(9,211,547)	(7,136,718)
Disposal of property, plant and equipment, and deferred assets	276,714	358,340
Increase in refundable deposits	4,725	(3,123)
Acquisition of intangible assets.	(15,318)	-
Decrease in other financial assets	2,207	16,050
(Increase) Decrease in other noncurrent assets	-	35,769
Increase in other prepaid	1,421	2,430
Gain on dividends income	<u>39,945</u>	<u>23,476</u>
Net cash used in investing activities	<u>(8,897,428)</u>	<u>(7,751,946)</u>

	For the twelve-month period ended December 31,	
	2016	2015
	NT\$'000	NT\$'000
Cash flows from financing activities:		
Increase in short-term loans	14,497	-
Issuance of corporate bonds	1,595,779	-
Increase in long-term loans	9,532,039	7,510,392
Repayments of long-term loans	(9,708,503)	(6,206,480)
Increase in deposit received	439	128
Cash dividends	(1,394,753)	(2,146,146)
Treasury shares repurchased	-	(625,691)
Paid Interest	(172,977)	(162,627)
Net cash used by/generated from financing activities	<u>(133,479)</u>	<u>(1,630,424)</u>
The impact of exchange rate fluctuation on cash and cash equivalents	<u>63,661</u>	<u>(86,167)</u>
Net increase in cash and cash equivalents	<u>(616,735)</u>	<u>(1,184,025)</u>
Cash and cash equivalents at the beginning of period	<u>6,234,138</u>	<u>7,418,163</u>
Cash and cash equivalents at the end of period	<u>5,617,403</u>	<u>6,234,138</u>

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD.
STATEMENTS OF CHANGES IN OWNER'S EQUITY (CONSOLIDATED)
For the Years Ended December 31, 2016 and 2015

	The owner's equity										
	Retained Earnings					Other owner's equity					
						Translation differences arising from translating the foreign currency financial statements of the foreign operations	Unrealized gain or loss on available-for-sale financial instruments				
	Capital	Additional paid-in capital	Legal reserve	Special reserve	Retained earnings- unappropriated			Others	Total	Non-controlling interest	Total equity
	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000		NTS'000	NTS'000
Balance as of January 1, 2015	11,923,184	6,623,735	1,174,220	201,416	2,739,431	302,784	(7,836)	(2,072)	22,954,862	3,994	22,958,856
Net earnings - appropriated and distributed, 2014					-						
Legal reserve	-	-	255,906	-	(255,906)	-	-	-	-	-	-
Common stock cash dividend	-	(357,691)	-	-	(1,788,455)	-	-	-	(2,146,146)	-	(2,146,146)
Other changes in additional paid-in capital											
Changes in associates and joint venture - equity method	-	44,983	-	-	-	-	-	-	44,983	-	44,983
Net income for the year ended December 31, 2015	-	-	-	-	2,281,546	-	-	-	2,281,546	727	2,282,273
Other comprehensive income for the period	-	-	-	-	(59,715)	(95,814)	(6,195)	-	(161,724)	159	(161,565)
Total comprehensive income for the period	-	-	-	-	2,221,831	(95,814)	(6,195)	-	2,119,822	886	2,120,708
Share changes in equity of subsidiaries		32							32		32
Decrease in treasury stock	(300,000)	(325,547)							(625,547)		(625,547)
Employee restricted stock	(240)	2,435	-	-	-	-	-	2,072	4,267	-	4,267
Balance as of December 31, 2015	11,622,944	5,987,947	1,430,126	201,416	2,916,901	206,970	(14,031)	-	22,352,273	4,880	22,357,153
Balance as of January 1, 2016	11,622,944	5,987,947	1,430,126	201,416	2,916,901	206,970	(14,031)	-	22,352,273	4,880	22,357,153
Net earnings - appropriated and distributed, 2015											
Legal reserve	-	-	228,154	-	(228,154)	-	-	-	-	-	-
Common stock cash dividend	-	(1,162,294)	-	-	(232,459)	-	-	-	(1,394,753)	-	(1,394,753)
Other changes in additional paid-in capital											
Equity change due to issuance of convertible bonds - convertible bonds recognized in equity	-	51,919	-	-	-	-	-	-	51,919	-	51,919
Changes in associates and joint venture - equity method	-	554	-	-	-	-	-	-	554	-	554
Net income for the year ended December 31, 2016	-	-	-	-	2,981,198	-	-	-	2,981,198	579	2,981,777
Other comprehensive income for the period	-	-	-	-	(55,258)	(390,253)	12,721	-	(432,790)	3	(432,787)
Total comprehensive income for the period	-	-	-	-	2,925,940	(390,253)	12,721	-	2,548,408	582	2,548,990
conversion of convertible corporate bonds	51,889	87287	-	-	-	-	-	-	139176	-	139176
Balance as of December 31, 2015	11,674,833	4,965,413	1,658,280	201,416	5,382,228	(183,283)	(1,310)	-	23,697,577	5,462	23,703,039

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD.
BALANCE SHEETS (CONSOLIDATED)
December 31, 2016, and December 31, 2015

Assets	Notes	2016/12/31 NTS'000	2015/12/31 NTS'000
Current assets			
Cash and cash equivalents	4,6(1)	5,617,403	6,234,138
Available-for-sale financial assets-current	4,6(2)	113,235	115,787
Notes receivable, net	4,6(3)	14,250	8,463
Accounts receivable, net	4,6(4)	3,704,235	3,008,420
Receivables from related parties	4,6(4),7	969,200	685,757
Other receivables		115,005	95,897
Other receivables from related parties	7	131,054	100,614
Inventories	4,6(5)	674,494	414,229
Prepayments		121,929	211,606
Other current assets		324,751	217,217
Other financial assets-current	8	4	3,037
Total current assets		<u>11,785,560</u>	<u>11,095,165</u>
Non-current assets			
Available-for-sale financial assets-noncurrent	4,6(2)	22,151	9,638
Financial assets measured at cost-noncurrent	4,6(6)	1,537,536	1,621,461
Investments - equity method	4,6(7)	1,091,852	1,222,692
Property, plant & equipments	4,6(8),8	28,684,252	25,689,164
Intangible assets	4,6(9),6(11)	31,619	104,529
Deferred income tax assets	4,6(22)	312,378	449,824
Other financial assets-noncurrent	8	93,996	93,170
Other non-current assets - other	6(10)	127,754	146,493
Total non-current assets		<u>31,901,538</u>	<u>29,336,971</u>
Total Assets		<u><u>43,687,098</u></u>	<u><u>40,432,136</u></u>

KING YUAN ELECTRONICS CO., LTD.
BALANCE SHEETS
December 31, 2016, and December 31, 2015

Liabilities and shareholders' Equity	Notes	2016/12/31 NT\$'000	2015/12/31 NT\$'000
Current liabilities			
Short-term loans	6(12)	14,497	-
Notes payable		11,170	7,118
Accounts payable		651,042	528,431
Accounts payable- related parties	7	7,905	-
Other payables		2,162,359	1,725,293
Other payables to related parties	7	41,713	72,950
Payables to equipment suppliers		761,451	746,758
Income tax payable for the period	4,6(22)	448,359	342,912
Current portion of long-term loans payable	4,6(13),8	1,237,916	2,475,478
Other current liabilities		250,522	244,356
Total current liabilities		<u>5,586,934</u>	<u>6,143,296</u>
Non-current liabilities			
corporate bonds payable	6(13),8	1,414,984	-
Long-term loans	4,6(13),8	12,619,466	11,615,080
Accrued pension liabilities	4,6(14)	361,477	315,848
Deposits received		1,198	759
Total non-current liabilities		<u>14,397,125</u>	<u>11,931,687</u>
Total liabilities		<u>19,984,059</u>	<u>18,074,983</u>
The owner's equity			
Capital	4,6(15)		
Common stock		11,674,833	11,622,944
Additional paid-in capital	4,6(15),6(16)	4,965,413	5,987,947
Retained earnings	4,6(15)		
Legal reserve		1,658,280	1,430,126
Special reserve		201,416	201,416
Retained earnings-unappropriated		5,382,228	2,916,901
Total retained earnings		<u>7,241,924</u>	<u>4,548,443</u>
Other equity	6(16)	(184,593)	192,939
The owner's equity		<u>23,697,577</u>	<u>22,352,273</u>
Non-controlling interest	6(15)	5,462	4,880
Total owner's equity		<u>23,703,039</u>	<u>22,357,153</u>
Total Liabilities and Equity		<u>43,687,098</u>	<u>40,432,136</u>

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