

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	2018	2017	Description	2018	2017
Cash flows from operating activities :			Cash flows from investing activities :		
Profit before tax from continuing operations	\$2,389,558	\$2,935,165	Proceeds from disposal of financial assets at fair value through other comprehensive income	\$1,113	\$-
Adjustments for:			Proceeds from capital return of financial assets at fair value through other comprehensive income	8,625	-
The profit or loss items which did not affect cash flows:			Proceeds from disposal of available-for-sale financial assets	-	7,542
Depreciation	6,686,191	6,317,667	Acquisition of financial assets measured at cost	-	(275,000)
Amortization	40,203	26,498	Proceeds from capital return of financial assets measured at cost	-	12,351
Expected credit loss (reversal of provision)	2,971	(14,038)	Acquisition of investments accounted for using the equity method	(245,408)	-
Gains on financial assets and liabilities at fair value through profit or loss	(418)	-	Acquisition of property, plant and equipment	(8,680,807)	(5,249,763)
Interest expenses	204,987	197,634	Proceeds from disposal of property, plant and equipment	271,099	337,445
Interest income	(22,217)	(30,590)	Decrease (Increase) in refundable deposits	29,842	(7,682)
Dividend income	(880)	(4,295)	Acquisition of intangible assets	(23,774)	(39,827)
Investment loss accounted for using the equity method	541,377	503,337	Net cash inflows from acquisition of subsidiaries	(167,009)	-
Gain on disposal of property, plant and equipment	(165,812)	(44,777)	Increase in other financial assets	(9,923)	(5,993)
Gain on disposal of investments	-	(246)	Decrease in other prepayments	2,142	2,117
Gain on disposal of investments accounted for using the equity method	(74,427)	-	Dividend received	10,940	15,755
Impairment loss of financial assets	-	14,627	Net cash used in investing activities	<u>(8,803,160)</u>	<u>(5,203,055)</u>
Unrealized foreign exchange loss	72,386	(149,392)			
Changes in operating assets and liabilities :					
Contract Assets	(289,427)	-	Cash flows from financing activities :		
Notes receivable	(3,188)	3,594	Increase in short-term loans	111,142	-
Accounts receivable	82,660	(85,819)	Decrease in short-term loans	(413,652)	(13,658)
Accounts receivable from related parties	(96,583)	296,052	Borrowing in long-term loans	21,516,981	5,762,575
Other receivables	9,337	(81,591)	Repayments of long-term loans	(19,017,327)	(7,541,377)
Other receivables from related parties	145,199	(27,067)	Increase in guarantee deposits	449	-
Inventories	(209,119)	200,665	Decrease in guarantee deposits	-	(74)
Prepayments	(282,075)	(18,940)	Cash dividends	(2,198,300)	(2,108,111)
Other current assets	82,154	51,498	Interest paid	(201,192)	(181,016)
Contract liabilities	85,963	-	Net cash used in financing activities	<u>(201,899)</u>	<u>(4,081,661)</u>
Notes payable	38,341	645	Effect of changes in exchange rate on cash and cash equivalents	(31,174)	(13,154)
Accounts payable	(11,431)	(36,091)	Net decrease in cash and cash equivalents	(608,403)	(222,374)
Accounts payable to related parties	5,155	(669)	Cash and cash equivalents at the beginning of the year	5,395,029	5,617,403
Other payables	(204,160)	(234,061)	Cash and cash equivalents at the end of the year	<u>\$4,786,626</u>	<u>\$5,395,029</u>
Other payables to related parties	48,768	(9,895)			
Other current liabilities	9,025	22,700			
Accrued pension liabilities	(6,842)	(4,376)			
Cash generated from operating activities	<u>9,077,696</u>	<u>9,828,235</u>			
Interest received	23,704	29,844			
Income tax paid	(673,570)	(782,583)			
Net cash provided by operating activities	<u>8,427,830</u>	<u>9,075,496</u>			

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

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2018 and 2017
(Amounts in thousands of New Taiwan Dollars)

ASSETS	Notes	December 31, 2018	%	December 31, 2017	%
Current assets					
Cash and cash equivalents	4, 6(1)	\$4,786,626	10	\$5,395,029	13
Financial assets at fair value through profit or loss-current	4, 6(2)	101,461	-	-	-
Financial assets at fair value through other comprehensive income-current	4, 6(3)	15,989	-	-	-
Available-for-sale financial assets-current	4, 6(4)	-	-	112,730	-
Contract assets-Current	4, 6(19), 6(20), 7	289,427	1	-	-
Notes receivable, net	4, 6(5), 6(20)	13,844	-	10,656	-
Accounts receivable, net	4, 6(6), 6(20)	4,418,689	9	3,804,112	9
Accounts receivable from related parties, net	4, 6(6), 6(20), 7	769,731	2	673,148	2
Other receivables		233,559	1	197,342	1
Other receivables from related parties	4, 7	11,337	-	156,419	-
Inventories, net	4, 6(7)	1,137,152	2	473,829	1
Prepayments	6(8)	656,455	2	408,405	1
Other current assets		191,099	-	273,253	1
Other financial assets-current	8	4	-	472	-
Total current assets		12,625,373	27	11,505,395	28
Non-current assets					
Financial assets at fair value through other comprehensive income-non-current	4, 6(3)	1,752,480	4	-	-
Available-for-sale financial assets-non-current	4, 6(4)	-	-	22,082	-
Financial assets measured at cost-non-current	4, 6(9)	-	-	1,785,558	4
Investments accounted for using the equity method	4, 6(10)	62,352	-	578,082	2
Property, plant and equipment	4, 6(11), 7, 8	31,907,296	68	26,657,896	65
Intangible assets	4, 6(12)	171,062	-	44,915	-
Deferred tax assets	4, 6(25)	405,398	1	333,914	1
Other financial assets-non-current	8	109,912	-	99,521	-
Other non-current assets	4, 6(13)	121,886	-	130,881	-
Total non-current assets		34,530,386	73	29,652,849	72
Total assets		\$47,155,759	100	\$41,158,244	100

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(continued)

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of December 31, 2018 and 2017
(Amounts in thousands of New Taiwan Dollars)

LIABILITIES AND EQUITY	Notes	December 31, 2018	%	December 31, 2017	%
Current liabilities					
Short-term loans	4, 6(14), 8, 9	\$111,879	-	\$-	-
Contract liabilities-current	4, 6(19), 7	85,963	-	-	-
Notes payable		50,156	-	11,815	-
Accounts payable		1,183,765	2	614,951	1
Accounts payable to related parties	7	12,391	-	7,236	-
Other payables		2,276,173	5	1,927,442	5
Other payables to related parties	7	80,831	-	28,343	-
Payables on equipment		800,724	2	450,769	1
Current tax liabilities	4, 6(24)	291,830	1	340,217	1
Bonds payable, current portion	4, 6(15)	-	-	64,829	-
Current portion of long-term liabilities	4, 6(16), 8	184,284	-	3,289,181	8
Other current liabilities		323,908	1	273,222	1
Total current liabilities		5,401,904	11	7,008,005	17
Non-current liabilities					
Long-term loans	4, 6(16), 8	16,750,860	36	8,650,497	21
Net defined benefit liabilities	4, 6(17)	481,570	1	446,624	1
Guarantee deposits		1,573	-	1,124	-
Total non-current liabilities		17,234,003	37	9,098,245	22
Total liabilities		22,635,907	48	16,106,250	39
Equity attributable to owners of the parent company					
Share capital	4, 6(15), 6(18)				
Common stock		12,227,451	26	12,202,383	30
Capital surplus	4, 6(15), 6(18)	4,844,536	10	5,327,372	13
Retained earnings	4, 6(18)				
Legal reserve		2,179,765	4	1,956,400	5
Special reserve		431,239	1	386,010	1
Undistributed earnings		5,597,293	12	5,403,995	13
Total retained earnings		8,208,297	17	7,746,405	19
Other equity	4	(803,173)	(1)	(229,824)	(1)
Equity attributable to owners of the parent company		24,477,111	52	25,046,336	61
Non-controlling interests	4, 6(18)	42,741	-	5,658	-
Total equity		24,519,852	52	25,051,994	61
Total liabilities and equities		\$47,155,759	100	\$41,158,244	100

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

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2018 and 2017
(Amounts in thousands of New Taiwan Dollars, except for earnings per share)

Description	Notes	2018	%	2017	%
Net sales	4, 6(19), 7	\$20,815,369	100	\$19,686,911	100
Operating costs	4, 6(7), 6(12), 6(17), 6(21), 6(22), 7	(15,451,671)	(74)	(13,904,506)	(71)
Gross profit		<u>5,363,698</u>	<u>26</u>	<u>5,782,405</u>	<u>29</u>
Operating expenses	4, 6(12), 6(17), 6(20), 6(22)				
Selling expenses		(331,677)	(2)	(303,217)	(1)
Administrative expenses		(1,400,283)	(7)	(1,194,459)	(6)
Research and development expenses		(909,086)	(4)	(818,105)	(4)
Expected credit losses		(2,971)	-	-	-
Total operating expenses		<u>(2,644,017)</u>	<u>(13)</u>	<u>(2,315,781)</u>	<u>(11)</u>
Operating income		<u>2,719,681</u>	<u>13</u>	<u>3,466,624</u>	<u>18</u>
Non-operating income and expenses					
Other income	4, 6(23), 7	91,280	-	110,781	1
Other gains and losses	4, 6(9), 6(23), 7	324,961	2	58,731	-
Finance costs	4, 6(11), 6(23)	(204,987)	(1)	(197,634)	(1)
Share of profit of associates accounted for using the equity method	4, 6(10)	(541,377)	(3)	(503,337)	(3)
Total non-operating income and expenses		<u>(330,123)</u>	<u>(2)</u>	<u>(531,459)</u>	<u>(3)</u>
Net income before income tax		2,389,558	11	2,935,165	15
Income tax expense	4, 6(25)	(595,668)	(2)	(701,085)	(4)
Net income		<u>1,793,890</u>	<u>9</u>	<u>2,234,080</u>	<u>11</u>
Other comprehensive income	4, 6(24)				
Items that will not be reclassified subsequently to profit or loss:					
Remeasurements of the defined benefit plan		(41,788)	-	(89,523)	-
Unrealized gains or losses from equity instruments investments measured at fair value through other comprehensive income		(164,411)	(1)	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss		17,118	-	-	-
Items that will be reclassified subsequently to profit or loss:					
Exchange differences resulting from translating the financial statements of foreign operations		(81,443)	-	(100,371)	-
Unrealized gains from available-for-sale financial assets		-	-	6,722	-
Income tax related to components of other comprehensive income that will be reclassified to profit or loss		24,851	-	48,180	-
Other comprehensive income, net of tax		<u>(245,673)</u>	<u>(1)</u>	<u>(134,992)</u>	<u>-</u>
Total comprehensive income		<u>\$1,548,217</u>	<u>8</u>	<u>\$2,099,088</u>	<u>11</u>
Net income for the periods attributable to :					
Owners of the parent company		\$1,795,344	9	\$2,233,646	11
Non-controlling interests		(1,454)	-	434	-
		<u>\$1,793,890</u>	<u>9</u>	<u>\$2,234,080</u>	<u>11</u>
Total comprehensive income for the periods attributable to :					
Owners of the parent company		\$1,549,371	8	\$2,098,892	11
Non-controlling interests		(1,154)	-	196	-
		<u>\$1,548,217</u>	<u>8</u>	<u>\$2,099,088</u>	<u>11</u>
Earning per share(NT\$)	4, 6(26)				
Basic Earnings Per Share		<u>\$1.47</u>		<u>\$1.88</u>	
Diluted Earnings Per Share		<u>\$1.46</u>		<u>\$1.87</u>	

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

KING YUAN ELECTRONICS CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the years ended December 31, 2018 and 2017

(Amounts in thousands of New Taiwan Dollars)

Description	Equity attributable to owners of the parent company									Non-controlling interests	Total Equity
	Common stock	Capital surplus	Retained earnings			Other equity			Equity attributable to owners of the parent		
			Legal reserve	Special reserve	Undistributed earnings	Exchange differences resulting from translating the financial statements of foreign operations	Unrealized gains (losses) from equity instruments investments measured at fair value through other comprehensive income	Unrealized gains (losses) from available-for sale financial assets			
Balance as of January 1, 2017	\$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
Appropriation and distribution of 2016 earnings:											
Legal reserve	-	-	298,120	-	(298,120)	-	-	-	-	-	-
Special reserve	-	-	-	184,594	(184,594)	-	-	-	-	-	-
Cash dividends	-	(468,469)	-	-	(1,639,642)	-	-	-	(2,108,111)	-	(2,108,111)
Profit for the year ended December 31, 2017	-	-	-	-	2,233,646	-	-	-	2,233,646	434	2,234,080
Other comprehensive income for the year ended December 31, 2017	-	-	-	-	(89,523)	(51,953)	-	6,722	(134,754)	(238)	(134,992)
Total comprehensive income	-	-	-	-	2,144,123	(51,953)	-	6,722	2,098,892	196	2,099,088
Conversion of convertible bonds	527,550	830,428	-	-	-	-	-	-	1,357,978	-	1,357,978
Balance as of December 31, 2017	\$12,202,383	\$5,327,372	\$1,956,400	\$386,010	\$5,403,995	\$(235,236)	\$-	\$5,412	\$25,046,336	\$5,658	\$25,051,994
Balance as of January 1, 2018	\$12,202,383	\$5,327,372	\$1,956,400	\$386,010	\$5,403,995	\$(235,236)	\$-	\$5,412	\$25,046,336	\$5,658	\$25,051,994
Effects of retrospective application and retrospective restatement	-	-	-	-	448,328	-	(393,955)	(5,412)	48,961	-	48,961
Equity at beginning of period after adjustments	12,202,383	5,327,372	1,956,400	386,010	5,852,323	(235,236)	(393,955)	-	25,095,297	5,658	25,100,955
Appropriation and distribution of 2017 earnings:											
Legal reserve	-	-	223,365	-	(223,365)	-	-	-	-	-	-
Special reserve	-	-	-	45,229	(45,229)	-	-	-	-	-	-
Cash dividends	-	(488,511)	-	-	(1,709,789)	-	-	-	(2,198,300)	-	(2,198,300)
Share of changes in net assets of associates and joint ventures accounted for using equity method	-	(33,755)	-	-	-	-	-	-	(33,755)	-	(33,755)
Profit for the year ended December 31, 2018	-	-	-	-	1,795,344	-	-	-	1,795,344	(1,454)	1,793,890
Other comprehensive income for the year ended December 31, 2018	-	-	-	-	(41,788)	(56,892)	(147,293)	-	(245,973)	300	(245,673)
Total comprehensive income	-	-	-	-	1,753,556	(56,892)	(147,293)	-	1,549,371	(1,154)	1,548,217
Conversion of convertible bonds	25,068	39,430	-	-	-	-	-	-	64,498	-	64,498
Non-controlling interests	-	-	-	-	-	-	-	-	-	38,237	38,237
Disposal of equity instruments investments measured at fair value through other comprehensive income	-	-	-	-	(30,203)	-	30,203	-	-	-	-
Balance as of December 31, 2018	\$12,227,451	\$4,844,536	\$2,179,765	\$431,239	\$5,597,293	\$(292,128)	\$(511,045)	\$-	\$24,477,111	\$42,741	\$24,519,852

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