

**English Translation of Financial Statements Originally Issued in Chinese**  
**KING YUAN ELECTRONICS CO., LTD.**  
**STATEMENTS OF INCOME (CONSOLIDATED)**

	Notes	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2016	2015	2016	2015
		NT\$'000	NT\$'000	NT\$'000	NT\$'000
<b>Operating Revenues</b>					
Net operating revenues	6(17),7	5,057,393	4,345,477	9,415,749	8,419,009
<b>Cost of goods sold</b>	6(5),6(9),6(14),6(18),6(19),7	(3,508,122)	(3,048,401)	(6,679,192)	(5,964,358)
<b>Gross Profit</b>		<u>1,549,271</u>	<u>1,297,076</u>	<u>2,736,557</u>	<u>2,454,651</u>
<b>Operating Expenses</b>	6(9),6(16),6(18),6(19)				
Selling expenses		(75,038)	(63,394)	(151,318)	(127,731)
Administrative expenses		(298,378)	(287,622)	(586,572)	(573,031)
Research and development expenses		(174,778)	(172,142)	(345,288)	(349,036)
Total operating expenses		<u>(548,194)</u>	<u>(523,158)</u>	<u>(1,083,178)</u>	<u>(1,049,798)</u>
<b>Operating Income(loss)</b>		<u>1,001,077</u>	<u>773,918</u>	<u>1,653,379</u>	<u>1,404,853</u>
<b>Non-operating Income</b>					
Other income	6(20)	16,693	54,655	48,784	99,674
Other profit or loss	6(20), 7	48,522	48,055	131,047	104,035
Financial cost	6(8),6(20)	(38,143)	(34,946)	(85,957)	(75,936)
Gain on the shareportion of associates and joint venture - equity method	6(7)	(896)	13,138	10,280	38,222
Total non-operating income		<u>26,176</u>	<u>80,902</u>	<u>104,154</u>	<u>165,995</u>
Net income before tax		1,027,253	854,820	1,757,533	1,570,848
Income tax expense	6(22)	(180,159)	(174,788)	(307,366)	(291,394)
Net Income		<u>847,094</u>	<u>680,032</u>	<u>1,450,167</u>	<u>1,279,454</u>
<b>Other comprehensive income</b>	6(21)				
Translation differences arising from translating the foreign currency financial statements of the foreign operations		(100,722)	(43,770)	(174,133)	(112,278)
Unrealized gain or loss on available-for-sale financial instruments		(1,357)	(4,147)	4,118	(7,917)
Other comprehensive profit and loss for the period (net income post-tax)		(102,079)	(47,917)	(169,995)	(120,195)
Total comprehensive income		<u>745,015</u>	<u>632,115</u>	<u>\$1,280,172</u>	<u>\$1,159,259</u>
Net income belonging to :					
Owner		846,786	679,820	\$1,449,695	\$1,279,191
Non-controlling interest		308	212	472	263
		<u>847,094</u>	<u>680,032</u>	<u>\$1,450,167</u>	<u>1,279,454</u>
Total comprehensive income belonging to :					
Owner		744,173	632,026	1,278,921	1,159,183
Non-controlling interest		842	89	1,251	76
		<u>745,015</u>	<u>632,115</u>	<u>1,280,172</u>	<u>1,159,259</u>
<b>Earnings Per Share</b>	6(23)				
Basic Earnings Per Share		<u>\$ 0.73</u>	<u>\$ 0.57</u>	<u>\$ 1.25</u>	<u>\$ 1.07</u>
Diluted Earnings Per Share		<u>\$ 0.73</u>	<u>\$ 0.56</u>	<u>\$ 1.24</u>	<u>\$ 1.06</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 six-month period ended June 30,	
	2016	2015
	NT\$'000	NT\$'000
<b>Cash flows from operating activities:</b>		
Net income before tax	1,757,533	1,570,848
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation (including other assets)	2,731,339	2,565,353
Amortization	9,031	5,132
allowance for uncollectible account	67	-
Interest expense	85,957	75,936
Interest income	(12,031)	(39,974)
Stock-based compensation expenses	-	4,411
Gain on the shareportion of associates and joint venture - equity method	(10,280)	(38,222)
Gain on disposal (retirement) of property, plant & equipments	(48,777)	(42,011)
Gain on disposal of other assets	-	(35,731)
Gain on disposal of investments	-	(36)
Impairment loss on financial assets	2,759	9,681
Unrealized loss (gain) on foreign exchange	(84,820)	(230,153)
Varies in the value of assets and liabilities related to operation activities :		
Notes receivable	(1,375)	1,228
Accounts receivable	(425,870)	249,390
Accounts receivables from related parties	(408,709)	(17,136)
Other receivables	(34,437)	55,503
Other receivables from related parties	738	(1,455)
Inventories	(36,488)	(68,157)
Prepayments	18,943	99,608
Other current assets	(105,345)	(72,244)
Notes payable	(1,954)	(1,781)
Accounts payable	154,257	185,347
Accounts payables to related parties	10,178	-
Other payables	330,173	10,201
Other payables to related parties	10,660	19,505
Other current liabilities	29,523	(106,326)
Cash provided by operating activities	<u>3,971,072</u>	<u>4,198,917</u>
Gain on interest	11,942	39,541
Paid income tax	<u>(356,712)</u>	<u>(390,181)</u>
Net cash provided by operating activities	<u>3,626,302</u>	<u>3,848,277</u>

	For the six-month period ended June 30,	
	2016	2015
	NT\$'000	NT\$'000
<b>Cash flows from investing activities:</b>		
Acquisition of financial assets in available-for-sale	-	(88,180)
Disposal of financial assets in available-for-sale	-	30,036
Acquisition of investments accounted under the equity method	(10,200)	(2,179)
Acquisition of property, plant and equipment	(5,488,922)	(4,510,364)
Disposal of property, plant and equipment, and deferred assets	243,299	304,905
Refundable deposits	(1,456)	(2,631)
Acquisition of intangible assets.	(5,926)	-
Decrease in other financial assets	3,033	10,861
Decrease in other non-current assets	-	35,769
Decrease in other prepayments	1,171	1,573
Gain on dividends income	8,400	8,400
Net cash used in investing activities	<u>(5,250,601)</u>	<u>(4,211,810)</u>

	For the six-month period ended June 30,	
	2016	2015
	NT\$'000	NT\$'000
<b>Cash flows from financing activities:</b>		
Increase in short-term loans	44,847	-
Increase in long-term loans	4,650,115	2,607,931
Repayments of long-term loans	(3,658,031)	(2,863,410)
Increase in deposits received	439	-
Treasury shares repurchased	-	(144)
Paid Interest	(80,458)	(74,029)
Net cash used by/generated from financing activities	<u>956,912</u>	<u>(329,652)</u>
The impact of exchange rate fluctuation on cash and cash equivalents	<u>(43,556)</u>	<u>(135,209)</u>
Net increase in cash and cash equivalents	<u>(710,943)</u>	<u>(828,394)</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>5,523,195</u>	<u>6,589,769</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 CHANGES IN OWNER'S EQUITY (CONSOLIDATED)**  
**For the six-month period ended June 30, 2016 and 2015**

	The owner's equity										
	Retained Earnings					Other owner's equity					
	Capital	Additional paid-in capital	Legal reserve	Special reserve	Retained earnings-unappropriated	Translation differences arising from translating the foreign currency financial statements of the foreign operations	Unrealized gain or loss on available-for-sale financial instruments	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 earings - 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	-	2	-	-	-	-	-	-	2	-	2
Net income for the six-month period ended June 30, 2015	-	-	-	-	1,279,191	-	-	-	1,279,191	263	1,279,454
Other comprehensive income for the period	-	-	-	-	-	(112,091)	(7,917)	-	(120,008)	(187)	(120,195)
Total comprehensive income for the period	-	-	-	-	1,279,191	(112,091)	(7,917)	-	1,159,183	76	1,159,259
Share changes in equity of subsidiaries		32							32		32
Employee restricted stock	(240)	2,435	-	-	-	-	-	2,072	4,267	-	4,267
Balance as of June 30, 2015	11,922,944	6,268,513	1,430,126	201,416	1,974,261	190,693	(15,753)	-	21,972,200	4,070	21,976,270
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 earings - 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											
Changes in associates and joint venture - equity method	-	2,657	-	-	-	-	-	-	2,657	-	2,657
Net income for the six-month period ended June 30, 2016	-	-	-	-	1,449,695	-	-	-	1,449,695	472	1,450,167
Other comprehensive income for the period	-	-	-	-	-	(174,892)	4,118	-	(170,774)	779	(169,995)
Total comprehensive income for the period	-	-	-	-	1,449,695	(174,892)	4,118	-	1,278,921	1,251	1,280,172
Balance as of June 30, 2016	11,622,944	4,828,310	1,658,280	201,416	3,905,983	32,078	(9,913)	-	22,239,098	6,131	22,245,229

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.**  
**BALANCE SHEETS (CONSOLIDATED)**  
**June 30, 2016, December 31, 2015, and June 30, 2015**

Assets	Notes	2016/6/30 NT\$'000	2015/12/31 NT\$'000	2015/6/30 NT\$'000
<b>Current assets</b>				
Cash and cash equivalents	6(1)	5,523,195	6,234,138	6,589,769
Available-for-sale financial assets-current	6(2)	114,731	115,787	118,992
Notes receivable, net	6(3)	9,838	8,463	10,174
Accounts receivable, net	6(4)	3,434,223	3,008,420	3,245,549
Receivables from related parties	6(4),7	1,094,466	685,757	734,067
Other receivables		121,615	95,897	112,393
Other receivables from related parties	7	119,330	100,614	108,974
Inventories	6(5)	450,717	414,229	354,441
Prepayments		322,913	211,606	304,498
Other current assets		322,562	217,217	239,275
Other financial assets-current	8	4	3,037	6,920
Total current assets		<u>11,513,594</u>	<u>11,095,165</u>	<u>11,825,052</u>
<b>Non-current assets</b>				
Available-for-sale financial assets-noncurrent	6(2)	12,053	9,638	5,594
Financial assets measured at cost-noncurrent	6(6)	1,621,461	1,621,461	632,579
Investments - equity method	6(7)	1,218,663	1,222,692	1,170,254
Property, plant & equipments	6(8),8	29,399,177	25,689,164	25,507,670
Intangible assets	6(9),6(11)	83,324	104,529	114,441
Deferred income tax assets	6(22)	362,933	449,824	552,330
Other financial assets-noncurrent	8	93,170	93,170	94,476
Other non-current assets - other	6(10)	140,928	146,493	147,176
Total non-current assets		<u>32,931,709</u>	<u>29,336,971</u>	<u>28,224,520</u>
<b>Total Assets</b>		<u><u>44,445,303</u></u>	<u><u>40,432,136</u></u>	<u><u>40,049,572</u></u>

**KING YUAN ELECTRONICS CO., LTD.**  
**BALANCE SHEETS (CONSOLIDATED)**  
**June 30, 2016, December 31, 2015, and June 30, 2015**

Liabilities and shareholders' Equity	Notes	2016/6/30 NTS'000	2015/12/31 NTS'000	2015/6/30 NTS'000
<b>Current liabilities</b>				
Short-term loans	4(12)	44,847	-	-
Notes payable		5,164	7,118	2,444
Accounts payable		682,688	528,431	682,217
Accounts payable- related parties		10,178	-	-
Other payables		3,450,453	1,725,293	3,904,867
Other payables to related parties	7	66,665	72,950	53,035
Payables to equipment suppliers		2,139,393	746,758	561,990
Income tax payable for the period	6(22)	206,675	342,912	175,452
Current portion of long-term loans payable	6(13),8	1,521,793	2,475,478	2,289,777
Other current liabilities		273,879	244,356	128,108
Total current liabilities		<u>8,401,735</u>	<u>6,143,296</u>	<u>7,797,890</u>
<b>Non-current liabilities</b>				
Long-term loans	6(13),8	13,481,293	11,615,080	10,012,565
Net defined benefit liability	6(14)	315,848	315,848	262,216
Deposits received		1,198	759	631
Total non-current liabilities		<u>13,798,339</u>	<u>11,931,687</u>	<u>10,275,412</u>
<b>Total liabilities</b>		<u>22,200,074</u>	<u>18,074,983</u>	<u>18,073,302</u>
<b>The owner's equity</b>				
Capital	6(15)			
Common stock		11,622,944	11,622,944	11,922,944
Additional paid-in capital	6(15),6(16)	4,828,310	5,987,947	6,268,513
Retained earnings	6(15)			
Legal reserve		1,658,280	1,430,126	1,430,126
Special reserve		201,416	201,416	201,416
Retained earnings-unappropriated		3,905,983	2,916,901	1,974,261
Total retained earnings		<u>5,765,679</u>	<u>4,548,443</u>	<u>3,605,803</u>
Other equity	6(16)	22,165	192,939	174,940
The owner's equity		<u>22,239,098</u>	<u>22,352,273</u>	<u>21,972,200</u>
Non-controlling interest	6(15)	6,131	4,880	4,070
<b>Total owner's equity</b>		<u>22,245,229</u>	<u>22,357,153</u>	<u>21,976,270</u>
<b>Total Liabilities and Equity</b>		<u><u>44,445,303</u></u>	<u><u>40,432,136</u></u>	<u><u>40,049,572</u></u>

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