

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

BALANCE SHEETS (CONSOLIDATED)

June 30, 2015, December 31, 2014, and June 30, 2014

Assets	Notes	2015/6/30	2014/12/31	2014/6/30
		NT\$'000	NT\$'000	NT\$'000
Current assets				
Cash and cash equivalents	4,6(1)	6,589,769	7,418,163	6,941,865
Available-for-sale financial assets-current	4,6(2)	118,992	67,460	104,985
Notes receivable, net	4,6(3)	10,174	11,402	12,555
Accounts receivable, net	4,6(4)	3,245,549	3,494,939	3,261,878
Receivables from related parties	4,6(4),7	734,067	716,931	726,766
Other receivables		112,393	173,093	116,429
Other receivables from related parties	7	108,974	157,741	1,218,936
Inventories	4,6(5)	354,441	286,284	278,632
Prepayments		304,498	412,533	443,826
Other current assets		239,275	167,031	138,407
Other financial assets-current	8	6,920	17,781	29,634
Total current assets		<u>11,825,052</u>	<u>12,923,358</u>	<u>13,273,913</u>
Non-current assets				
Available-for-sale financial assets-noncurrent	4,6(2)	5,594	16,544	-
Financial assets measured at cost-noncurrent	4,6(6)	632,579	632,579	649,768
Investments - equity method	4,6(7)	1,170,254	1,137,346	1,095,182
Property, plant & equipments	4,6(8),8	25,507,670	24,009,814	22,760,412
Intangible assets	4,6(9),6(11)	114,441	108,107	100,685
Deferred income tax assets	4,6(22)	552,330	650,090	767,695
Other financial assets-noncurrent	8	94,476	94,476	76,544
Other non-current assets - other	6(10)	147,176	150,044	159,092
Total non-current assets		<u>28,224,520</u>	<u>26,799,000</u>	<u>25,609,378</u>
Total Assets		<u><u>40,049,572</u></u>	<u><u>39,722,358</u></u>	<u><u>38,883,291</u></u>

KING YUAN ELECTRONICS CO., LTD.
BALANCE SHEETS (CONSOLIDATED)
June 30, 2015, December 31, 2014, and June 30, 2014

Liabilities and shareholders' Equity	Notes	2015/6/30 NT\$'000	2014/12/31 NT\$'000	2014/6/30 NT\$'000
Current liabilities				
Notes payable		\$2,444	4,225	4,878
Accounts payable	7	682,217	496,870	620,885
Accounts payable- related parties		-	-	95
Other payables		3,904,867	1,750,275	4,328,951
Other payables to related parties	7	53,035	33,530	55,168
Payables to equipment suppliers		561,990	825,010	1,188,385
Income tax payable for the period	4,6(22)	175,452	371,999	167,607
Current portion of long-term loans payable	4,6(13),8	2,289,777	1,895,299	799,298
Other current liabilities		128,108	234,434	141,199
Total current liabilities		<u>7,797,890</u>	<u>5,611,642</u>	<u>7,306,466</u>
Non-current liabilities				
Long-term loans	4,6(13),8	10,012,565	10,889,013	9,978,818
Net defined benefit liability	4,6(14)	262,216	262,216	263,013
Deposits received		631	631	541
Total non-current liabilities		<u>10,275,412</u>	<u>11,151,860</u>	<u>10,242,372</u>
Total liabilities		<u>18,073,302</u>	<u>16,763,502</u>	<u>17,548,838</u>
The owner's equity				
Capital	4,6(15)			
Common stock		11,922,944	11,923,184	11,923,184
Additional paid-in capital	4,6(15),6(16)	6,268,513	6,623,735	6,621,829
Retained earnings	4,6(15)			
Legal reserve		1,430,126	1,174,220	1,174,220
Special reserve		201,416	201,416	201,416
Retained earnings-unappropriated		1,974,261	2,739,431	1,401,902
Total retained earnings		<u>3,605,803</u>	<u>4,115,067</u>	<u>2,777,538</u>
Other equity	6(16)	174,940	292,876	7,755
The owner's equity		<u>21,972,200</u>	<u>22,954,862</u>	<u>21,330,306</u>
Non-controlling interest	6(15)	4,070	3,994	4,147
Total owner's equity		<u>21,976,270</u>	<u>22,958,856</u>	<u>21,334,453</u>
Total Liabilities and Equity		<u>40,049,572</u>	<u>39,722,358</u>	<u>38,883,291</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 INCOME (CONSOLIDATED)

	Notes	For the three-month period ended June 30,		For the six-month period ended June 30,	
		2015	2014	2015	2014
		NT\$'000	NT\$'000	NT\$'000	NT\$'000
Operating Revenues					
Net operating revenues	6(17),7	4,345,477	4,126,273	8,419,009	7,655,829
Cost of goods sold	6(5),6(9),6(14),6(18),6(19),7	(3,048,401)	(2,819,150)	(5,964,358)	(5,386,893)
Gross Profit		1,297,076	1,307,123	2,454,651	2,268,936
Operating Expenses	6(9),6(16),6(18),6(19)				
Selling expenses		(63,394)	(61,160)	(127,731)	(120,629)
Administrative expenses		(287,622)	(270,392)	(573,031)	(528,663)
Research and development expenses		(172,142)	(150,167)	(349,036)	(281,648)
Total operating expenses		(523,158)	(481,719)	(1,049,798)	(930,940)
Operating Income(loss)		773,918	825,404	1,404,853	1,337,996
Non-operating Income					
Other income	6(20)	54,655	80,686	99,674	106,658
Other profit or loss	6(20)	48,055	(6,443)	104,035	233
Financial cost	6(8),6(20)	(34,946)	(30,637)	(75,936)	(67,955)
Gain on the shareportion of associates and joint venture - equity method	6(7)	13,138	43,157	38,222	62,875
Total non-operating income		80,902	86,763	165,995	101,811
Net income before tax		854,820	912,167	1,570,848	1,439,807
Income tax expense	4,6(22)	(174,788)	(129,418)	(291,394)	(226,057)
Net Income		680,032	782,749	1,279,454	1,213,750
Other comprehensive income	6(21)				
Translation differences arising from translating the foreign currency financial statements of the foreign operations		(43,770)	(88,388)	(112,278)	(31,328)
Unrealized gain or loss on available-for-sale financial instruments		(4,147)	2,572	(7,917)	3,645
Other comprehensive profit and loss for the period (net income post-tax)		(47,917)	(85,816)	(120,195)	(27,683)
Total comprehensive income		632,115	696,933	\$1,159,259	1,186,067
Net income belonging to :					
Owner		679,820	782,442	\$1,279,191	1,213,381
Non-controlling interest		212	307	263	369
		680,032	782,749	\$1,279,454	1,213,750
Total comprehensive income belonging to :					
Owner		632,026	696,644	1,159,183	1,185,561
Non-controlling interest		89	289	76	506
		632,115	696,933	1,159,259	1,186,067
Earnings Per Share	6(23)				
Basic Earnings Per Share		\$ 0.57	\$ 0.66	\$ 1.07	\$ 1.02
Diluted Earnings Per Share		\$ 0.56	\$ 0.65	\$ 1.06	\$ 1.01

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,	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from operating activities:		
Net income before tax	1,570,848	1,439,807
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation (including other assets)	2,565,353	2,106,168
Amortization	5,132	3,833
Interest expense	75,936	67,955
Interest income	(39,974)	(42,730)
Stock-based compensation expenses	4,411	10,865
Gain on the shareportion of associates and joint venture - equity method	(38,222)	(62,875)
Gain on disposal (retirement) of property, plant & equipments	(42,011)	1,858
Gain on reclassified of property, plant & equipments	-	1,070
Gain on disposal of other assets	(35,731)	-
Gain on disposal of investments	(36)	(2,112)
Impairment loss on financial assets	9,681	47,000
Unrealized loss (gain) on foreign exchange	(230,153)	(19,553)
Varies in the value of assets and liabilities related to operation activities :		
Decrease in notes receivable	1,228	1,787
Decrease (increase) in accounts receivable	249,390	(421,499)
Increase in receivables from related parties	(17,136)	(68,441)
Decrease in other receivables	55,503	34,441
(Increase) Decrease in other receivables from related parties	(1,455)	392,432
Invrease in inventories	(68,157)	(29,146)
Decrease (increase) in unearned receipts	99,608	(261,088)
Decrease (increase) in other current assets	(72,244)	(37,170)
Increase (decrease) in notes payable	(1,781)	(1,941)
Increase in accounts payable	185,347	213,921
Increase in other payables to related parties	-	95
Increase (decrease) in other accounts payable	10,201	(154,775)
Increase in other payables to related parties	19,505	27,783
Increase in accrued pension liabilities	(106,326)	(61,090)
Cash provided by operating activities	4,198,917	3,186,595
Gain on interest	39,541	48,804
Paid income tax	(390,181)	(297,589)
Net cash provided by operating activities	3,848,277	2,937,810

	For the six-month period ended June 30,	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from investing activities:		
Acquisition of financial assets in available-for-sale	(88,180)	(98,885)
Disposal of financial assets in available-for-sale	30,036	81,592
Financial assets at cost-noncurrent capital deducted by returning cash	-	1,600
Acquisition of investments accounted under the equity method	(2,179)	-
Acquisition of property, plant and equipment	(4,510,364)	(4,465,875)
Disposal of property, plant and equipment, and deferred assets	304,905	74,894
(Increase) decrease in refundable deposits	(2,631)	(4,739)
Acquisition of intangible assets.	-	(223)
Decrease (increase) in other financial assets	10,861	(25,715)
Decrease in other financial assets	35,769	-
Increase in other prepaid	1,573	1,320
Gain on dividends income	8,400	6,325
Net cash used in investing activities	(4,211,810)	(4,429,706)

	For the six-month period ended June 30,	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from financing activities:		
Increase in long-term loans	2,607,931	1,698,932
Repayments of long-term loans	(2,863,410)	(1,892,807)
Treasury shares repurchased	(144)	(1,311)
Paid Interest	(74,029)	(62,747)
Net cash used by/generated from financing activities	(329,652)	(257,933)

The impact of exchange rate fluctuation on cash and cash equivalents	(135,209)	(16,738)
Net increase in cash and cash equivalents	(828,394)	(1,766,567)
Cash and cash equivalents at the beginning of period	7,418,163	8,708,432
Cash and cash equivalents at the end of period	6,589,769	6,941,865

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)
Forthe six-month period ended June 30,20154 and 2014

	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	Treasury Stock	Total	Non-controlling interest	Total equity
Balance as of January 1, 2014	\$11,925,369	6,620,582	992,583	201,416	1,925,430	51,798	(7,567)	(18,818)	(825)	21,689,968	3,641	21,693,609
Net earings - appropriated and distributed, 2013												
Legal reserve	-	-	181,637	-	(181,637)	-	-	-	-	-	-	-
Common stock cash dividend	-	-	-	-	(1,550,175)	-	-	-	-	(1,550,175)	-	(1,550,175)
Other changes in additional paid-in capital												
Changes in associates and joint venture - equity method	-	-	-	-	(5,097)	-	-	-	-	(5,097)	-	(5,097)
Net income for the six-month period ended June 30, 2014	-	-	-	-	1,213,381	-	-	-	-	1,213,381	369	1,213,750
Other comprehensive income for the period	-	-	-	-	-	(31,465)	3,645	-	-	(27,820)	137	(27,683)
Total comprehensive income for the period	-	-	-	-	1,213,381	(31,465)	3,645	-	-	1,185,561	506	1,186,067
Employee restricted stock	(2,185)	1,247	-	-	-	-	-	10,162	825	10,049	-	10,049
Balance as of June 30, 2014	11,923,184	6,621,829	1,174,220	201,416	1,401,902	20,333	(3,922)	(8,656)	-	21,330,306	4,147	21,334,453
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
Employee restricted stock	(240)	2,435	-	-	-	-	-	2,072	-	32	-	32
Balance as of June 30, 2015	11,922,944	6,268,513	1,430,126	201,416	1,974,261	190,693	(15,753)	-	-	4,267	4,070	4,267
										21,972,200	21,976,270	

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