

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

BALANCE SHEETS (CONSOLIDATED)

March 31, 2015, December 31, 2014, and March 31, 2014

Assets	Notes	2015/3/31	2014/12/31	2014/3/31
		NT\$'000	NT\$'000	NT\$'000
Current assets				
Cash and cash equivalents	4,6(1)	6,550,485	7,418,163	8,630,454
Available-for-sale financial assets-current	4,6(2)	73,865	67,460	107,792
Notes receivable, net	4,6(3)	10,156	11,402	11,459
Accounts receivable, net	4,6(4)	3,115,621	3,494,939	2,736,033
Receivables from related parties	4,6(4),7	564,756	716,931	659,758
Other receivables		178,526	173,093	214,688
Other receivables from related parties	7	117,938	157,741	1,372,024
Inventories	4,6(5)	312,458	286,284	240,115
Prepayments		488,957	412,533	208,882
Other current assets		235,490	167,031	80,393
Other financial assets-current	8	5,545	17,781	3,813
Total current assets		<u>11,653,797</u>	<u>12,923,358</u>	<u>14,265,411</u>
Non-current assets				
Available-for-sale financial assets-noncurrent	4,6(2)	14,777	16,544	-
Financial assets measured at cost-noncurrent	4,6(6)	632,579	632,579	698,368
Investments - equity method	4,6(7)	1,162,962	1,137,346	1,058,846
Property, plant & equipments	4,6(8),8	24,953,081	24,009,814	20,741,968
Intangible assets	4,6(9),6(11)	107,790	108,107	98,276
Deferred income tax assets	4,6(22)	618,964	650,090	788,078
Other financial assets-noncurrent	8	94,476	94,476	69,065
Other non-current assets - other	6(10)	149,465	150,044	163,714
Total non-current assets		<u>27,734,094</u>	<u>26,799,000</u>	<u>23,618,315</u>
Total Assets		<u><u>39,387,891</u></u>	<u><u>39,722,358</u></u>	<u><u>37,883,726</u></u>

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

Liabilities and shareholders' Equity	Notes	2015/3/31 NT\$'000	2014/12/31 NT\$'000	2014/3/31 NT\$'000
Current liabilities				
Notes payable		16,910	4,225	17,429
Accounts payable		581,288	496,870	381,000
Accounts payable- related parties		-	-	108
Other payables		1,613,235	1,750,275	2,587,698
Other payables to related parties	7	31,040	33,530	34,124
Payables to equipment suppliers		1,294,700	825,010	785,020
Income tax payable for the period	4,6(22)	452,652	371,999	355,017
Current portion of long-term loans payable	4,6(13),8	2,162,826	1,895,299	940,481
Other current liabilities		215,879	234,434	198,495
Total current liabilities		<u>6,368,530</u>	<u>5,611,642</u>	<u>5,299,372</u>
Non-current liabilities				
Long-term loans	4,6(13),8	9,266,030	10,889,013	10,137,019
Net defined benefit liability	4,6(14)	262,216	262,216	263,013
Deposits received		631	631	541
Total non-current liabilities		<u>9,528,877</u>	<u>11,151,860</u>	<u>10,400,573</u>
Total liabilities		<u>15,897,407</u>	<u>16,763,502</u>	<u>15,699,945</u>
The owner's equity				
Capital	4,6(15)			
Common stock		11,923,034	11,923,184	11,924,424
Additional paid-in capital	4,6(15),6(16)	6,626,297	6,623,735	6,620,629
Retained earnings	4,6(15)			
Legal reserve		1,174,220	1,174,220	992,583
Special reserve		201,416	201,416	201,416
Retained earnings-unappropriated		3,338,802	2,739,431	2,352,236
Total retained earnings		<u>4,714,438</u>	<u>4,115,067</u>	<u>3,546,235</u>
Other equity	6(16)	222,734	292,876	88,635
The owner's equity		<u>23,486,503</u>	<u>22,954,862</u>	<u>22,179,923</u>
Non-controlling interest	6(15)	3,981	3,994	3,858
Total owner's equity		<u>23,490,484</u>	<u>22,958,856</u>	<u>22,183,781</u>
Total Liabilities and Equity		<u>39,387,891</u>	<u>39,722,358</u>	<u>37,883,726</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)

		For the three-month period ended March 31,	
		2015	2014
		NT\$'000	NT\$'000
Operating Revenues			
Net operating revenues	4,6(17),7	4,073,532	3,529,556
Cost of goods sold	6(5),6(9),6(14),6(18),6(19),7	(2,915,957)	(2,567,743)
Gross Profit		<u>1,157,575</u>	<u>961,813</u>
Operating Expenses	6(9),6(16),6(18),6(19)		
Selling expenses		(64,337)	(59,469)
Administrative expenses		(285,409)	(258,271)
Research and development expenses		(176,894)	(131,481)
Total operating expenses		<u>(526,640)</u>	<u>(449,221)</u>
Operating Income(loss)		<u>630,935</u>	<u>512,592</u>
Non-operating Income			
Other income	6(20)	45,019	25,972
Other profit or loss	6(20)	55,980	6,676
Financial cost	6(8),6(20)	(40,990)	(37,318)
Gain on the shareportion of associates and joint venture - equity method	6(7)	25,084	19,718
Total non-operating income		<u>85,093</u>	<u>15,048</u>
Net income before tax		716,028	527,640
Income tax expense	4,6(22)	(116,606)	(96,639)
Net Income		<u>599,422</u>	<u>431,001</u>
Other comprehensive income	4,6(21)		
Translation differences arising from translating the foreign currency financial statements of the foreign operations		(68,508)	57,060
Unrealized gain or loss on available-for-sale financial instruments		(3,770)	1,073
Other comprehensive profit and loss for the period (net income post-tax)		(72,278)	58,133
Total comprehensive income		<u>527,144</u>	<u>489,134</u>
Net income belonging to :			
Owner		599,371	430,939
Non-controlling interest		51	62
		<u>599,422</u>	<u>431,001</u>
Total comprehensive income belonging to :			
Owner		527,157	488,917
Non-controlling interest		(13)	217
		<u>527,144</u>	<u>489,134</u>
Earnings Per Share	4,6(23)		
Basic Earnings Per Share		<u>\$ 0.50</u>	<u>\$ 0.36</u>
Diluted Earnings Per Share		<u>\$ 0.50</u>	<u>\$ 0.36</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 three-month period ended March 31,	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from operating activities:		
Net income before tax	716,028	527,640
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation (including other assets)	1,222,900	1,057,410
Amortization	2,190	1,784
Interest expense	40,990	37,318
Interest income	(20,136)	(19,510)
Stock-based compensation expenses	4,540	5,244
Gain on the shareportion of associates and joint venture - equity method	(25,084)	(19,718)
Gain on disposal (retirement) of property, plant & equipments	(36,915)	899
Gain on reclassified of property, plant & equipments	-	602
Gain on disposal of investments	(39)	-
Unrealized loss (gain) on foreign exchange	(106,445)	43,446
Varies in the value of assets and liabilities related to operation activities :		
Decrease in notes receivable	1,246	2,883
Decrease in accounts receivable	379,318	104,346
Decrease (increase) in receivables from related parties	152,175	(1,433)
decrease (increase) in other receivables	(8,850)	(63,066)
Decrease in other receivables from related parties	12,440	237,861
Decrease (invrease) in inventories	(26,174)	9,371
Increase in unearned receipts	(50,189)	(11,271)
Decrease (increase) in other current assets	(68,459)	20,844
Increase in notes payable	12,685	10,610
Increase (decrease) in accounts payable	84,418	(25,964)
Increase in accounts payable to related parties	-	108
Decrease in other accounts payable	(134,751)	(346,378)
Increase (decrease) in other payables to related parties	(2,490)	6,739
Decrease in other current liabilities	(18,555)	(3,794)
Cash provided by operating activities	2,130,843	1,575,971
Gain on interest	20,713	24,832
Paid income tax	(4,827)	(1,144)
Net cash provided by operating activities	2,146,729	1,599,659

	For the three-month period ended March 31,	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from investing activities:		
Acquisition of available-for-sale financial assets	(38,407)	(24,784)
Disposal of financial assets measured at cost-noncurrent	30,038	-
Acquisition of property, plant and equipment	(1,940,778)	(1,720,713)
Disposal of property, plant and equipment, and deferred assets	250,714	32,627
Increase in refundable deposits	(2,675)	(5,038)
Decrease in other financial assets	12,236	7,585
Increase in other noncurrent assets	38	-
Decrease in other prepaid	604	664
Net cash used in investing activities	(1,688,230)	(1,709,659)

	For the three-month period ended March 31,	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from financing activities:		
Increase in long-term loans	936,538	1,124,770
Repayments of long-term loans	(2,187,530)	(1,079,740)
Treasury shares repurchased	-	(568)
Paid Interest	(41,388)	(34,105)
Net cash used by/generated from financing activities	(1,292,380)	10,357
The impact of exchange rate fluctuation on cash and cash equivalents	(33,797)	21,655
Net increase in cash and cash equivalents	(867,678)	(77,978)
Cash and cash equivalents at the beginning of period	7,418,163	8,708,432
Cash and cash equivalents at the end of period	6,550,485	8,630,454

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD.
STATEMENTS OF CHANGES IN OWNER'S EQUITY (CONSOLIDATED)
For the three-month period ended March 31, 2015 and 2014

	The owner's equity											
	Capital		Retained Earnings				Other owner's equity					
	Common Stock	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
	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000	NT\$'000
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
Other changes in additional paid-in capital												
Changes in associates and joint venture - equity method	-	-	-	-	(4,133)	-	-	-	-	(4,133)	-	(4,133)
										-		
Net income for the three-month period ended March 31, 2014	-	-	-	-	430,939	-	-			430,939	62	431,001
Other comprehensive income for the three-month period ended March 31, 2014	-	-	-	-	-	56,905	1,073	-	-	57,978	155	58,133
Total comprehensive income for the period	-	-	-	-	430,939	56,905	1,073	-	-	488,917	217	489,134
Employee restricted stock	(945)	47						5,244	825	5,171	-	5,171
Balance as of March 31, 2014	11,924,424	6,620,629	992,583	201,416	2,352,236	108,703	(6,494)	(13,574)	-	22,179,923	3,858	22,183,781
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
Other changes in additional paid-in capital												
Changes in associates and joint venture - equity method	-	2	-	-	-	-	-	-	-	2	-	2
Net income for the three-month period ended March 31, 2015	-	-	-	-	599,371	-	-	-	-	599,371	51	599,422
Other comprehensive income for the three-month period ended March 31, 2015	-	-	-	-	-	(68,444)	(3,770)	-	-	(72,214)	(64)	(72,278)
Total comprehensive income for the period	-	-	-	-	599,371	(68,444)	(3,770)	-	-	527,157	(13)	527,144
Share changes in equity of subsidiaries	-	32	-	-	-	-	-	-	-	32	-	32
Employee restricted stock	(150)	2,528	-	-	-	-	-	2,072	-	4,450	-	4,450
Balance as of March 31, 2015	11,923,034	6,626,297	1,174,220	201,416	3,338,802	234,340	(11,606)	-	-	23,486,503	3,981	23,490,484