

English Translation of Financial Statements Originally Issued in Chinese
KING YUAN ELECTRONICS CO., LTD.
BALANCE SHEETS (CONSOLIDATED)
June 30, 2017, December 31, 2016, and June 30, 2016

Assets	Notes	2017/6/30 NT\$'000	2016/12/31 NT\$'000	2016/6/30 NT\$'000
Current assets				
Cash and cash equivalents	6(1)	5,047,388	5,617,403	5,523,195
Available-for-sale financial assets-current	6(2)	118,130	113,235	114,731
Notes receivable, net	6(3)	6,987	14,250	9,838
Accounts receivable, net	6(4)	3,627,751	3,704,235	3,434,223
Receivables from related parties	6(4),7	817,410	969,200	1,094,466
Other receivables		139,774	115,005	121,615
Other receivables from related parties	7	91,905	131,054	119,330
Inventories	6(5)	501,688	674,494	450,717
Prepayments		220,428	121,929	322,913
Other current assets		319,973	324,751	322,562
Other financial assets-current	8	466	4	4
Total current assets		<u>10,891,900</u>	<u>11,785,560</u>	<u>11,513,594</u>
Non-current assets				
Available-for-sale financial assets-noncurrent	6(2)	23,302	22,151	12,053
Financial assets measured at cost-noncurrent	6(6)	1,812,536	1,537,536	1,621,461
Investments - equity method	6(7)	795,861	1,091,852	1,218,663
Property, plant & equipments	6(8),8	27,589,062	28,684,252	29,399,177
Intangible assets	6(9),6(11)	49,464	31,619	83,324
Deferred income tax assets	6(22)	356,448	312,378	362,933
Other financial assets-noncurrent	8	93,996	93,996	93,170
Other non-current assets - other	6(10)	125,883	127,754	140,928
Total non-current assets		<u>30,846,552</u>	<u>31,901,538</u>	<u>32,931,709</u>
Total Assets		<u><u>41,738,452</u></u>	<u><u>43,687,098</u></u>	<u><u>44,445,303</u></u>

KING YUAN ELECTRONICS CO., LTD.
BALANCE SHEETS (CONSOLIDATED)
June 30, 2017, December 31, 2016, and June 30, 2016

Liabilities and shareholders' Equity	Notes	2017/6/30 NTS'000	2016/12/31 NTS'000	2016/6/30 NTS'000
Current liabilities				
Short-term loans	4(12)	-	14,497	44,847
Notes payable		4,031	11,170	5,164
Accounts payable		544,314	651,042	682,688
Accounts payable- related parties		10,530	7,905	10,178
Other payables		3,911,805	2,162,359	3,450,453
Other payables to related parties	7	74,167	41,713	66,665
Payables to equipment suppliers		551,432	761,451	2,139,393
Income tax payable for the period	6(22)	394,688	448,359	206,675
Current portion of long-term loans payable	6(13),8	1,996,246	1,237,916	1,521,793
Other current liabilities		266,144	250,522	273,879
Total current liabilities		<u>7,753,357</u>	<u>5,586,934</u>	<u>8,401,735</u>
Non-current liabilities				
Corporate bonds payable		1,257,416	1,414,984	-
Long-term loans	6(13),8	9,550,632	12,619,466	13,481,293
Net defined benefit liability	6(14)	361,477	361,477	315,848
Deposits received		1,376	1,198	1,198
Total non-current liabilities		<u>11,170,901</u>	<u>14,397,125</u>	<u>13,798,339</u>
Total liabilities		<u>18,924,258</u>	<u>19,984,059</u>	<u>22,200,074</u>
The owner's equity				
Capital	6(15)			
Common stock		11,737,099	11,674,833	11,622,944
Additional paid-in capital	6(15),6(16)	4,602,749	4,965,413	4,828,310
Retained earnings	6(15)			
Legal reserve		1,956,400	1,658,280	1,658,280
Special reserve		386,010	201,416	201,416
Retained earnings-unappropriated		4,408,865	5,382,228	3,905,983
Total retained earnings		<u>6,751,275</u>	<u>7,241,924</u>	<u>5,765,679</u>
Other equity	6(16)	(282,511)	(184,593)	22,165
The owner's equity		<u>22,808,612</u>	<u>23,697,577</u>	<u>22,239,098</u>
Non-controlling interest	6(15)	5,582	5,462	6,131
Total owner's equity		<u>22,814,194</u>	<u>23,703,039</u>	<u>22,245,229</u>
Total Liabilities and Equity		<u>41,738,452</u>	<u>43,687,098</u>	<u>44,445,303</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,	
		2017	2016	2017	2016
		NT\$'000	NT\$'000	NT\$'000	NT\$'000
Operating Revenues					
Net operating revenues	6(17),7	4,842,693	5,057,393	9,711,556	9,415,749
Cost of goods sold	6(5),6(9),6(14),6(18),6(19),7	(3,321,659)	(3,508,122)	(6,712,140)	(6,679,192)
Gross Profit		1,521,034	1,549,271	2,999,416	2,736,557
Operating Expenses	6(9),6(16),6(18),6(19)				
Selling expenses		(72,214)	(75,038)	(141,913)	(151,318)
Administrative expenses		(296,174)	(298,378)	(590,338)	(586,572)
Research and development expenses		(194,722)	(174,778)	(373,127)	(345,288)
Total operating expenses		(563,110)	(548,194)	(1,105,378)	(1,083,178)
Operating Income(loss)		957,924	1,001,077	1,894,038	1,653,379
Non-operating Income					
Other income	6(20)	18,675	16,693	43,139	48,784
Other profit or loss	6(20), 7	68,467	48,522	16,972	131,047
Financial cost	6(8),6(20)	(50,720)	(38,143)	(105,379)	(85,957)
Gain on the shareportion of associates and joint venture - equity method	6(7)	(141,379)	(896)	(285,357)	10,280
Total non-operating income		(104,957)	26,176	(330,625)	104,154
Net income before tax		852,967	1,027,253	1,563,413	1,757,533
Income tax expense	6(22)	(264,523)	(180,159)	(414,221)	(307,366)
Net Income		588,444	847,094	1,149,192	1,450,167
Other comprehensive income	6(21)				
Translation differences arising from translating the foreign currency financial statements of the foreign operations		96,629	(100,722)	(162,877)	(174,113)
Unrealized gain or loss on available-for-sale financial instruments		(169)	(1,357)	6,046	4,118
Income tax that can possibly be reclassified into related profit and loss accounts		14,733	-	58,834	-
Other comprehensive profit and loss for the period (net income post-tax)		111,193	(102,079)	(97,997)	(169,995)
Total comprehensive income		699,637	745,015	\$1,051,195	\$1,280,172
Net income belonging to :					
Owner		\$588,329	\$846,786	\$1,148,993	\$1,449,695
Non-controlling interest		115	308	199	472
		588,444	847,094	\$1,149,192	1,450,167
Total comprehensive income belonging to :					
Owner		699,515	744,173	1,051,075	1,278,921
Non-controlling interest		122	842	120	1,251
		699,637	745,015	1,051,195	1,280,172
Earnings Per Share	6(23)				
Basic Earnings Per Share		\$ 0.50	\$ 0.73	\$ 0.98	\$ 1.25
Diluted Earnings Per Share		\$ 0.48	\$ 0.73	\$ 0.95	\$ 1.24

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,	
	2017	2016
	NT\$'000	NT\$'000
Cash flows from operating activities:		
Net income before tax	1,563,413	1,757,533
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation (including other assets)	3,221,134	2,731,339
Amortization	12,481	9,031
allowance for uncollectible account(Gain on reversal of bad debts)	(100)	67
Interest expense	105,379	85,957
Interest income	(16,103)	(12,031)
Gain on the shareportion of associates and joint venture - equity method	285,357	(10,280)
Gain on disposal (retirement) of property, plant & equipments	(33,835)	(48,777)
Impairment loss on financial assets	-	2,759
Unrealized loss (gain) on foreign exchange	(139,273)	(84,820)
Varies in the value of assets and liabilities related to operation activities :		
Notes receivable	7,263	(1,375)
Accounts receivable	76,584	(425,870)
Accounts receivables from related parties	151,790	(408,709)
Other receivables	17,175	(34,437)
Other receivables from related parties	37,637	738
Inventories	172,806	(36,488)
Prepayments	(41,920)	18,943
Other current assets	4,778	(105,345)
Notes payable	(7,139)	(1,954)
Accounts payable	(106,728)	154,257
Accounts payables to related parties	2,625	10,178
Other payables	(356,385)	330,173
Other payables to related parties	11,094	10,660
Other current liabilities	15,622	29,523
Cash provided by operating activities	<u>4,983,655</u>	<u>3,971,072</u>
Gain on interest	15,158	11,942
Paid income tax	<u>(453,128)</u>	<u>(356,712)</u>
Net cash provided by operating activities	<u>4,545,685</u>	<u>3,626,302</u>

	For the six-month period ended June 30,	
	2017	2016
	NT\$'000	NT\$'000
Cash flows from investing activities:		
Acquisition of Financial Assets Measured at Cost	(275,000)	-
Acquisition of investments accounted under the equity method	-	(10,200)
Acquisition of property, plant and equipment	(2,586,157)	(5,488,922)
Disposal of property, plant and equipment, and deferred assets	149,324	243,299
Refundable deposits	(3,159)	(1,456)
Acquisition of intangible assets.	(30,373)	(5,926)
Decrease in other financial assets	(462)	3,033
Decrease in other prepayments	1,230	1,171
Gain on dividends income	11,460	8,400
Net cash used in investing activities	<u>(2,733,137)</u>	<u>(5,250,601)</u>

	For the six-month period ended June 30,	
	2017	2016
	NT\$'000	NT\$'000
Cash flows from financing activities:		
Increase in short-term loans	-	44,847
Decrease in short-term loans	(13,655)	-
Increase in long-term loans	1,696,175	4,650,115
Repayments of long-term loans	(3,873,133)	(3,658,031)
Increase in deposits received	178	439
Paid Interest	(92,271)	(80,458)
Net cash used by/generated from financing activities	<u>(2,282,706)</u>	<u>956,912</u>
The impact of exchange rate fluctuation on cash and cash equivalents	<u>(99,857)</u>	<u>(43,556)</u>
Net increase in cash and cash equivalents	<u>(570,015)</u>	<u>(710,943)</u>
Cash and cash equivalents at the beginning of period	<u>5,617,403</u>	<u>6,234,138</u>
Cash and cash equivalents at the end of period	<u><u>5,047,388</u></u>	<u><u>5,523,195</u></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, 2017 and 2016

	The owner's equity							Total	Non-controlling interest	Total 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			
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
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
Net earings - appropriated and distributed, 2016										
Legal reserve	-	-	298,120	-	(298,120)	-	-	-	-	-
Special Reserve	-	-	-	184,594	(184,594)	-	-	-	-	-
Common stock cash dividend	-	(468,469)	-	-	(1,639,642)	-	-	(2,108,111)	-	(2,108,111)
Net income for the six-month period ended June 30, 2017	-	-	-	-	1,148,993	-	-	1,148,993	199	1,149,192
Other comprehensive income for the period	-	-	-	-	-	(103,964)	6,046	(97,918)	(79)	(97,997)
Total comprehensive income for the period	-	-	-	-	1,148,993	(103,964)	6,046	1,051,075	120	1,051,195
Convertible corporate bonds	62,266	105,805	-	-	-	-	-	168,701	-	168,701
Balance as of June 30, 2017	11,737,099	4,602,749	1,956,400	386,010	4,408,865	(287,247)	4,736	22,808,612	5,582	22,814,194

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