

English Translation of Financial Statements Originally Issued in Chinese

KING YUAN ELECTRONICS CO., LTD.

BALANCE SHEETS (CONSOLIDATED)

September 30, 2015, December 31, 2014, and September 30, 2014

Assets	Notes	2015/9/30	2014/12/31	2014/9/30
		NT\$'000	NT\$'000	NT\$'000
Current assets				
Cash and cash equivalents	4,6(1)	6,558,160	7,418,163	6,667,637
Available-for-sale financial assets-current	4,6(2)	64,154	67,460	91,185
Notes receivable, net	4,6(3)	15,295	11,402	14,499
Accounts receivable, net	4,6(4)	3,178,829	3,494,939	3,559,348
Receivables from related parties	4,6(4),7	814,039	716,931	742,474
Other receivables		157,097	173,093	187,957
Other receivables from related parties	7	109,585	157,741	184,920
Inventories	4,6(5)	462,010	286,284	284,617
Prepayments		333,574	412,533	416,972
Other current assets		273,015	167,031	186,098
Other financial assets-current	8	4,755	17,781	49,413
Total current assets		<u>11,970,513</u>	<u>12,923,358</u>	<u>12,385,120</u>
Non-current assets				
Available-for-sale financial assets-noncurrent	4,6(2)	4,916	16,544	-
Financial assets measured at cost-noncurrent	4,6(6)	621,461	632,579	680,068
Investments - equity method	4,6(7)	1,221,585	1,137,346	1,120,278
Property, plant & equipments	4,6(8),8	25,442,399	24,009,814	23,429,906
Intangible assets	4,6(9),6(11)	120,656	108,107	105,640
Deferred income tax assets	4,6(22)	506,434	650,090	736,261
Other financial assets-noncurrent	8	94,870	94,476	88,281
Other non-current assets - other	6(10)	150,285	150,044	160,935
Total non-current assets		<u>28,162,606</u>	<u>26,799,000</u>	<u>26,321,369</u>
Total Assets		<u><u>40,133,119</u></u>	<u><u>39,722,358</u></u>	<u><u>38,706,489</u></u>

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

Liabilities and shareholders' Equity	Notes	2015/9/30 NT\$'000	2014/12/31 NT\$'000	2014/9/30 NT\$'000
Current liabilities				
Notes payable		7195.00	4,225	10,922
Accounts payable	7	648,122	496,870	550,035
Accounts payable- related parties		-	-	154
Other payables		1,848,426	1,750,275	1,763,758
Other payables to related parties	7	40,863	33,530	25,572
Payables to equipment suppliers		363,975	825,010	741,307
Income tax payable for the period	4,6(22)	271,096	371,999	278,562
Current portion of long-term loans payable	4,6(13),8	2,450,715	1,895,299	2,443,731
Other current liabilities		202,505	234,434	137,317
Total current liabilities		<u>5,832,897</u>	<u>5,611,642</u>	<u>5,951,358</u>
Non-current liabilities				
Long-term loans	4,6(13),8	11,992,437	10,889,013	10,259,249
Net defined benefit liability	4,6(14)	262,216	262,216	263,013
Deposits received		759	631	541
Total non-current liabilities		<u>12,255,412</u>	<u>11,151,860</u>	<u>10,522,803</u>
Total liabilities		<u>18,088,309</u>	<u>16,763,502</u>	<u>16,474,161</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)	6,313,848	6,623,735	6,623,735
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		2,514,143	2,739,431	2,220,303
Total retained earnings		<u>4,145,685</u>	<u>4,115,067</u>	<u>3,595,939</u>
Other equity	6(16)	283,329	292,876	85,225
Treasury stock	6(15)	(625,814)	(825)	-
The owner's equity		<u>22,039,992</u>	<u>22,954,862</u>	<u>22,228,083</u>
Non-controlling interest	6(15)	4,818	3,994	4,245
Total owner's equity		<u>22,044,810</u>	<u>22,958,856</u>	<u>22,232,328</u>
Total Liabilities and Equity		<u>40,133,119</u>	<u>39,722,358</u>	<u>38,706,489</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 September 30,		For the nine-month period ended September 30,	
		2015 NT\$'000	2014 NT\$'000	2015 NT\$'000	2014 NT\$'000
Operating Revenues					
Net operating revenues	4,6(17),7	4,416,546	4,393,956	12,835,555	12,049,785
Cost of goods sold	4,6(5),6(9),6(14),6(18),6(19),7	(3,217,949)	(2,980,779)	(9,182,307)	(8,367,672)
Gross Profit		<u>1,198,597</u>	<u>1,413,177</u>	<u>3,653,248</u>	<u>3,682,113</u>
Operating Expenses	4,6(9),6(16),6(18),6(19)				
Selling expenses		(67,803)	(66,768)	(195,534)	(187,397)
Administrative expenses		(284,517)	(288,381)	(857,548)	(817,044)
Research and development expenses		(172,489)	(162,521)	(521,525)	(444,169)
Total operating expenses		<u>(524,809)</u>	<u>(517,670)</u>	<u>(1,574,607)</u>	<u>(1,448,610)</u>
Operating Income(loss)		<u>673,788</u>	<u>895,507</u>	<u>2,078,641</u>	<u>2,233,503</u>
Non-operating Income					
Other income	4,6(20)	20,126	41,880	119,800	148,538
Other profit or loss	4,6(2),6(20),7	26,926	30,426	130,961	30,659
Financial cost	6(8),6(20)	(42,118)	(30,345)	(118,054)	(98,300)
Gain on the shareportion of associates and joint venture - equity method	4,6(7)	5,622	29,628	43,844	92,503
Total non-operating income		<u>10,556</u>	<u>71,589</u>	<u>176,551</u>	<u>173,400</u>
Net income before tax		684,344	967,096	2,255,192	2,406,903
Income tax expense	4,6(22)	(144,080)	(148,358)	(435,474)	(374,415)
Net Income		<u>540,264</u>	<u>818,738</u>	<u>1,819,718</u>	<u>2,032,488</u>
Other comprehensive income	4,6(21)				
Translation differences arising from translating the foreign currency financial statements of the foreign operations		113,388	78,844	1,110	47,516
Unrealized gain or loss on available-for-sale financial instruments		(4,633)	(5,559)	(12,550)	(1,914)
Other comprehensive profit and loss for the period (net income post-tax)		<u>108,755</u>	<u>73,285</u>	<u>(11,440)</u>	<u>45,602</u>
Total comprehensive income		<u>649,019</u>	<u>892,023</u>	<u>1,808,278</u>	<u>2,078,090</u>
Net income belonging to :					
Owner		539,882	818,391	\$1,819,073	2,031,772
Non-controlling interest		<u>382</u>	<u>347</u>	<u>645</u>	<u>716</u>
		<u>540,264</u>	<u>818,738</u>	<u>\$1,819,718</u>	<u>2,032,488</u>
Total comprehensive income belonging to :					
Owner		648,271	891,925	1,807,454	2,077,486
Non-controlling interest		<u>748</u>	<u>98</u>	<u>824</u>	<u>604</u>
		<u>649,019</u>	<u>892,023</u>	<u>1,808,278</u>	<u>2,078,090</u>
Earnings Per Share	4,6(23)				
Basic Earnings Per Share		<u>\$ 0.46</u>	<u>\$ 0.69</u>	<u>\$ 1.53</u>	<u>\$ 1.71</u>
Diluted Earnings Per Share		<u>\$ 0.45</u>	<u>\$ 0.68</u>	<u>\$ 1.51</u>	<u>\$ 1.69</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 nine-month period ended September 30,	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from operating activities:		
Net income before tax	2,255,192	2,406,903
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation (including other assets)	3,793,062	3,226,534
Amortization	8,249	6,310
Interest expense	118,054	98,300
Interest income	(57,897)	(60,396)
Dividend income	(362)	(432)
Stock-based compensation expenses	4,411	16,707
Gain on the shareportion of associates and joint venture - equity method	(43,844)	(92,503)
Gain on disposal (retirement) of property, plant & equipments	(38,024)	(708)
Gain on reclassified of property, plant & equipments	-	1,099
Gain on disposal of other assets	(35,731)	-
Gain on disposal of investments	(188)	(4,079)
Impairment loss on financial assets	9,681	47,000
Unrealized loss on foreign exchange	49,481	35,414
Varies in the value of assets and liabilities related to operation activities :		
Increase in notes receivable	(3,893)	(157)
Decrease (increase) in accounts receivable	316,110	(718,969)
Increase in receivables from related parties	(97,108)	(84,149)
Decrease (increase) in other receivables	14,573	(36,603)
(Increase) Decrease in other receivables from related parties	(6,143)	1,466,893
Increase in inventories	(175,726)	(35,131)
Decrease (increase) in unearned receipts	133,266	(241,366)
Increase in other current assets	(105,984)	(84,861)
Increase in notes payable	2,970	4,103
Increase in accounts payable	151,252	143,071
Increase in other payables to related parties	-	154
Increase (decrease) in other accounts payable	76,417	(1,171,319)
Increase (decrease) in other payables to related parties	1,370	(1,813)
Decrease in accrued pension liabilities	(31,929)	(64,972)
Cash provided by operating activities	<u>6,337,259</u>	<u>4,855,030</u>
Gain on interest	57,451	67,486
Paid income tax	<u>(392,721)</u>	<u>(303,558)</u>
Net cash provided by operating activities	<u>6,001,989</u>	<u>4,618,958</u>

	For the nine-month period ended September 30,	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from investing activities:		
Acquisition of financial assets in available-for-sale	(87,077)	(98,885)
Disposal of financial assets in available-for-sale	79,968	91,800
Acquisition of financial assets measured at cost - noncurrent	-	(30,300)
Financial assets at cost-noncurrent capital deducted by returning cash	11,118	1,600
Acquisition of investments accounted under the equity method	(2,179)	-
Acquisition of property, plant and equipment	(5,972,134)	(6,764,664)
Disposal of property, plant and equipment, and deferred assets	344,504	140,680
(Increase) decrease in refundable deposits	(2,699)	(4,023)
Acquisition of intangible assets.	-	(227)
Decrease (increase) in other financial assets	12,632	(57,231)
Decrease in other financial assets	35,769	-
Increase in other prepaid	1,817	1,975
Gain on dividends income	8,762	6,757
Net cash used in investing activities	<u>(5,569,519)</u>	<u>(6,712,518)</u>

	For the nine-month period ended September 30,	
	2015	2014
	NT\$'000	NT\$'000
Cash flows from financing activities:		
Increase in long-term loans	6,441,779	4,349,734
Repayments of long-term loans	(4,837,763)	(2,676,232)
Increase in deposit received	128	-
Cash dividends and cash paid for employees' bonus	(2,146,146)	(1,550,175)
Treasury shares repurchased	(604,721)	(1,311)
Paid Interest	(112,214)	(89,046)
Net cash used by/generated from financing activities	<u>(1,258,937)</u>	<u>32,970</u>
The impact of exchange rate fluctuation on cash and cash equivalents	<u>(33,536)</u>	<u>19,795</u>
Net increase in cash and cash equivalents	<u>(860,003)</u>	<u>(2,040,795)</u>
Cash and cash equivalents at the beginning of period	<u>7,418,163</u>	<u>8,708,432</u>
Cash and cash equivalents at the end of period	<u><u>6,558,160</u></u>	<u><u>6,667,637</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 nine-month period ended September 30, 2015 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
	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
Net earnings - 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	-	-	-	-	(5,087)	-	-	-	-	(5,087)	-	(5,087)
Net income for the six-month period ended September 30, 2014	-	-	-	-	2,031,772	-	-	-	-	2,031,772	716	2,032,488
Other comprehensive income for the period	-	-	-	-	-	47,628	(1,914)	-	-	45,714	(112)	45,602
Total comprehensive income for the period	-	-	-	-	2,031,772	47,628	(1,914)	-	-	2,077,486	604	2,078,090
Employee restricted stock	(2,185)	3,153	-	-	-	-	-	14,098	825	15,891	-	15,891
Balance as of September 30, 2014	11,923,184	6,623,735	1,174,220	201,416	2,220,303	99,426	(9,481)	(4,720)	-	22,228,083	4,245	22,232,328
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 earnings - 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	-	45,337	-	-	-	-	-	-	-	45,337	-	45,337
Net income for the nine-month period ended September 30, 2015	-	-	-	-	1,819,073	-	-	-	-	1,819,073	645	1,819,718
Other comprehensive income for the period	-	-	-	-	-	931	(12,550)	-	-	(11,619)	179	(11,440)
Total comprehensive income for the period	-	-	-	-	1,819,073	931	(12,550)	-	-	1,807,454	824	1,808,278
Employee restricted stock	(240)	32 2,435	-	-	-	-	-	2,072		32 4,267	-	32 4,267
Balance as of September 30, 2015	11,922,944	6,313,848	1,430,126	201,416	2,514,143	303,715	(20,386)	-	(625,814)	625,814 22,039,992	4,818	(625,814) 22,044,814

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