

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

Assets	Notes	2017/3/31 NTS'000	2016/12/31 NTS'000	2016/3/31 NTS'000
Current assets				
Cash and cash equivalents	4,6(1)	5,154,635	5,617,403	5,359,397
Available-for-sale financial assets-current	4,6(2)	117,252	113,235	116,718
Notes receivable, net	4,6(3)	6,291	14,250	8,190
Accounts receivable, net	4,6(4)	3,302,875	3,704,235	3,130,943
Receivables from related parties	4,6(4),7	775,148	969,200	648,582
Other receivables		185,814	115,005	211,232
Other receivables from related parties	7	101,939	131,054	116,707
Inventories	4,6(5)	507,370	674,494	391,024
Prepayments		87,090	121,929	238,312
Other current assets		280,977	324,751	233,863
Other financial assets-current	8	4	4	303
Total current assets		<u>10,519,395</u>	<u>11,785,560</u>	<u>10,455,271</u>
Non-current assets				
Available-for-sale financial assets-noncurrent	4,6(2)	24,349	22,151	14,182
Financial assets measured at cost-noncurrent	4,6(6)	1,537,536	1,537,536	1,621,461
Investments - equity method	4,6(7)	948,287	1,091,852	1,233,668
Property, plant & equipments	4,6(8),8	28,010,802	28,684,252	27,767,365
Intangible assets	4,6(9),6(11)	46,576	31,619	104,698
Deferred income tax assets	4,6(22)	353,520	312,378	410,990
Other financial assets-noncurrent	8	93,996	93,996	93,170
Other non-current assets - other	6(10)	126,147	127,754	144,642
Total non-current assets		<u>31,141,213</u>	<u>31,901,538</u>	<u>31,390,176</u>
Total Assets		<u><u>41,660,608</u></u>	<u><u>43,687,098</u></u>	<u><u>41,845,447</u></u>

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

Liabilities and shareholders' Equity	Notes	2017/3/31 NTS'000	2016/12/31 NTS'000	2016/3/31 NTS'000
Current liabilities				
Short-term loans		13700	14,497	-
Notes payable		5,488	11,170	5,797
Accounts payable		453,076	651,042	536,660
Accounts payable- related parties		8,274	7,905	-
Other payables		1,813,783	2,162,359	1,750,312
Other payables to related parties	7	45,430	41,713	56,327
Payables to equipment suppliers		623,684	761,451	710,406
Income tax payable for the period	4,6(22)	586,878	448,359	427,124
Current portion of long-term loans payable	4,6(13),8	2,665,254	1,237,916	2,601,870
Other current liabilities		264,467	250,522	259,684
Total current liabilities		<u>6,480,034</u>	<u>5,586,934</u>	<u>6,348,180</u>
Non-current liabilities				
corporate bonds payable		1,320,904	1,414,984	-
Long-term loans	4,6(13),8	9,342,951	12,619,466	12,288,524
Net defined benefit liability	4,6(14)	361,477	361,477	315,848
Deposits received		1,199	1,198	1,198
Total non-current liabilities		<u>11,026,531</u>	<u>14,397,125</u>	<u>12,605,570</u>
Total liabilities		<u>17,506,565</u>	<u>19,984,059</u>	<u>18,953,750</u>
The owner's equity				
Capital	4,6(15)			
Common stock		11,711,731	11,674,833	11,622,944
Additional paid-in capital	4,6(7),6(15),6(16)	5,027,961	4,965,413	5,987,334
Retained earnings	4,6(15)			
Legal reserve		1,658,280	1,658,280	1,430,126
Special reserve		201,416	201,416	201,416
Retained earnings-unappropriated		5,942,492	5,382,228	3,519,810
Total retained earnings		<u>7,802,188</u>	<u>7,241,924</u>	<u>5,151,352</u>
Other equity	6(16)	(393,697)	(184,593)	124,778
The owner's equity		<u>24,148,583</u>	<u>23,697,577</u>	<u>22,886,408</u>
Non-controlling interest	6(15)	5,460	5,462	5,289
Total owner's equity		<u>24,154,043</u>	<u>23,703,039</u>	<u>22,891,697</u>
Total Liabilities and Equity		<u>41,660,608</u>	<u>43,687,098</u>	<u>41,845,447</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,	
	2017	2016
	NT\$'000	NT\$'000
Cash flows from operating activities:		
Net income before tax	710,446	730,280
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	1,579,554	1,349,270
Amortization	5,938	4,356
allowance for uncollectible account	(60)	88
Interest expense	54,659	47,814
Interest income	(7,008)	(5,355)
Gain on the shareportion of associates and joint venture - equity method	143,978	(11,176)
Gain on disposal (retirement) of property, plant & equipments	1,818	(33,207)
Unrealized loss (gain) on foreign exchange	(146,814)	(102,066)
Varies in the value of assets and liabilities related to operation activities :		
notes receivable	7,959	273
accounts receivable	401,420	(122,611)
receivables from related parties	194,052	37,175
other receivables	(70,049)	(84,610)
other receivables from related parties	28,110	(16,131)
Inventories	167,124	23,205
unearned receipts	39,003	(23,829)
other current assets	43,774	(16,646)
notes payable	(5,682)	(1,321)
accounts payable	(197,966)	8,229
accounts payable from related parties	369	-
other payables	(346,787)	24,246
other payables – related parties	3,909	(17,554)
other current liabilities	13,945	15,328
Cash provided by operating activities	<u>2,621,692</u>	<u>1,805,758</u>
Gain on interest	6,248	6,895
Paid income tax	<u>(8,220)</u>	<u>(4,161)</u>
Net cash provided by operating activities	<u>2,619,720</u>	<u>1,808,492</u>

	For the three-month period ended March 31,	
	2017	2016
	NT\$'000	NT\$'000
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(1,241,141)	(3,561,250)
Disposal of property, plant and equipment, and deferred assets	20,172	76,851
Increase in refundable deposits	(5,233)	(1,063)
Acquisition of intangible assets	(20,971)	(5,926)
Decrease in other financial assets	-	2,734
Decrease in other prepaid	536	559
Net cash used in investing activities	<u>(1,246,637)</u>	<u>(3,488,095)</u>

	For the three-month period ended March 31,	
	2017	2016
	NT\$'000	NT\$'000
Cash flows from financing activities:		
Increase in long-term loans	245,200	2,991,140
Repayments of long-term loans	(1,950,993)	(2,091,870)
increase in deposits received	1	439
Paid Interest	(48,449)	(44,409)
Net cash used by/generated from financing activities	<u>(1,754,241)</u>	<u>855,300</u>
The impact of exchange rate fluctuation on cash and cash equivalents	<u>(81,610)</u>	<u>(50,438)</u>
Net decrease in cash and cash equivalents	<u>(462,768)</u>	<u>(874,741)</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>5,154,635</u>	<u>5,359,397</u>

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, 2017 and 2016

	The owner's equity							Total	Non-controlling interest	Total 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			
	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, 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
Other changes in additional paid-in capital										
Changes in associates and joint venture - equity method	-	(613)	-	-	-	-	-	(613)	-	(613)
Net income for the three-month period ended March 31, 2016	-	-	-	-	602,909	-	-	602,909	164	603,073
Other comprehensive income for the three-month period ended March 31, 2016	-	-	-	-	-	(73,636)	5,475	(68,161)	245	(67,916)
Total comprehensive income for the period	-	-	-	-	602,909	(73,636)	5,475	534,748	409	535,157
Balance as of March 31, 2016	11,622,944	5,987,334	1,430,126	201,416	3,519,810	133,334	(8,556)	22,886,408	5,289	22,891,697
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 income for the three-month period ended March 31, 2017	-	-	-	-	560,664	-	-	560,664	84	560,748
Other comprehensive income for the three-month period ended March 31, 2017	-	-	-	-	-	(215,319)	6,215	(209,104)	(86)	(209,190)
Total comprehensive income for the period	-	-	-	-	560,664	(215,319)	6,215	351,560	(2)	351,558
conversion of convertible corporate bonds	36,898	62,548						99,446		99,446
Balance as of March 31, 2017	11,711,731	5,027,961	1,658,280	201,416	5,942,892	(398,602)	4,905	24,148,583	5,460	24,154,043

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,	
		2017	2016
		NT\$'000	NT\$'000
Operating Revenues			
Net operating revenues	4,6(17),7	4,868,863	4,358,356
Cost of goods sold	6(5),6(9),6(14),6(18),6(19),7	(3,390,481)	(3,171,070)
Gross Profit		1,478,382	1,187,286
Operating Expenses	6(9),6(16),6(18),6(19)		
Selling expenses		(69,699)	(76,280)
Administrative expenses		(294,164)	(288,194)
Research and development expenses		(178,405)	(170,510)
Total operating expenses		(542,268)	(534,984)
Operating Income(loss)		936,114	652,302
Non-operating Income			
Other income	6(20)	24,464	32,091
Other profit or loss	6(20)	(51,495)	82,525
Financial cost	6(8),6(20)	(54,659)	(47,814)
Gain on the shareportion of associates and joint venture - equity method	6(7)	(143,978)	11,176
Total non-operating income		(225,668)	77,978
Net income before tax		710,446	730,280
Income tax expense	4,6(22)	(149,698)	(127,207)
Net Income		560,748	603,073
Other comprehensive income	4,6(21)		
Translation differences arising from translating the foreign currency financial statements of the foreign operations		(259,506)	(73,391)
Unrealized gain or loss on available-for-sale financial instruments		6,215	5,475
Income tax that can possibly be reclassified into related profit and loss accounts		44,101	-
Other comprehensive profit and loss for the period (net income post-tax)		(209,190)	(67,916)
Total comprehensive income		351,558	535,157
Net income belonging to :			
Owner		560,664	602,909
Non-controlling interest		84	164
		560,748	603,073
Total comprehensive income belonging to :			
Owner		351,560	534,748
Non-controlling interest		(2)	409
		351,558	535,157
Earnings Per Share	4,6(23)		
Basic Earnings Per Share		\$ 0.48	\$ 0.52
Diluted Earnings Per Share		\$ 0.46	\$ 0.51

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