

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,	
		2016 NT\$'000	2015 NT\$'000	2016 NT\$'000	2015 NT\$'000
Operating Revenues					
Net operating revenues	6(18),7	5,431,374	4,416,546	14,847,123	12,835,555
Cost of goods sold	6(5),6(9),6(14),6(19),6(20),7	<u>(3,727,537)</u>	<u>(3,217,949)</u>	<u>(10,406,729)</u>	<u>(9,182,307)</u>
Gross Profit		<u>1,703,837</u>	<u>1,198,597</u>	<u>4,440,394</u>	<u>3,653,248</u>
Operating Expenses	6(9),6(15),6(19),6(20)				
Selling expenses		(73,736)	(67,803)	(225,054)	(195,534)
Administrative expenses		(302,444)	(284,517)	(889,016)	(857,548)
Research and development expenses		<u>(183,377)</u>	<u>(172,489)</u>	<u>(528,665)</u>	<u>(521,525)</u>
Total operating expenses		<u>(559,557)</u>	<u>(524,809)</u>	<u>(1,642,735)</u>	<u>(1,574,607)</u>
Operating Income(loss)		<u>1,144,280</u>	<u>673,788</u>	<u>2,797,659</u>	<u>2,078,641</u>
Non-operating Income					
Other income	6(21)	34,386	20,126	83,170	119,800
Other profit or loss	6(21),7	(28,992)	26,926	102,055	130,961
Financial cost	6(8),6(21)	(48,800)	(42,118)	(134,757)	(118,054)
Gain on the shareportion of associates and joint venture - equity method	6(7)	<u>(48,481)</u>	<u>5,622</u>	<u>(38,201)</u>	<u>43,844</u>
Total non-operating income		<u>(91,887)</u>	<u>10,556</u>	<u>12,267</u>	<u>176,551</u>
Net income before tax		1,052,393	684,344	2,809,926	2,255,192
Income tax expense	6(23)	<u>(175,355)</u>	<u>(144,080)</u>	<u>(482,721)</u>	<u>(435,474)</u>
Net Income		<u>877,038</u>	<u>540,264</u>	<u>2,327,205</u>	<u>1,819,718</u>
Other comprehensive income	6(22)				
Translation differences arising from translating the foreign currency financial statements of the foreign operations		(165,401)	113,388	(339,514)	1,110
Unrealized gain or loss on available-for-sale financial instruments		<u>8,142</u>	<u>(4,633)</u>	<u>12,260</u>	<u>(12,550)</u>
Other comprehensive profit and loss for the period (net income post-tax)		<u>(157,259)</u>	<u>108,755</u>	<u>(327,254)</u>	<u>(11,440)</u>
Total comprehensive income		<u>719,779</u>	<u>649,019</u>	<u>1,999,951</u>	<u>1,808,278</u>
Net income belonging to :					
Owner		876,855	539,882	\$2,326,550	\$1,819,073
Non-controlling interest		<u>183</u>	<u>382</u>	<u>655</u>	<u>645</u>
		<u>877,038</u>	<u>540,264</u>	<u>\$2,327,205</u>	<u>1,819,718</u>
Total comprehensive income belonging to :					
Owner		719,662	648,271	1,998,583	1,807,454
Non-controlling interest		<u>117</u>	<u>748</u>	<u>1,368</u>	<u>824</u>
		<u>719,779</u>	<u>649,019</u>	<u>1,999,951</u>	<u>1,808,278</u>
Earnings Per Share	6(24)				
Basic Earnings Per Share		<u>\$ 0.75</u>	<u>\$ 0.46</u>	<u>\$ 2.00</u>	<u>\$ 1.53</u>
Diluted Earnings Per Share		<u>\$ 0.73</u>	<u>\$ 0.45</u>	<u>\$ 1.97</u>	<u>\$ 1.51</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,	
	2016	2015
	NTS'000	NTS'000
Cash flows from operating activities:		
Net income before tax	2,809,926	2,255,192
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation (including other assets)	4,225,416	3,793,062
Amortization	14,071	8,249
allowance for uncollectible account	344	-
Interest expense	134,757	118,054
Interest income	(17,073)	(57,897)
Dividend income	(457)	(362)
Stock-based compensation expenses	-	4,411
Gain on the shareportion of associates and joint venture - equity method	38,201	(43,844)
Gain on disposal (retirement) of property, plant & equipments	(47,050)	(38,024)
Gain on disposal of other assets	-	(35,731)
Gain on disposal of investments	-	(188)
Impairment loss on financial assets	2,759	9,681
Unrealized loss on foreign exchange	(155,381)	49,481
Varies in the value of assets and liabilities related to operation activities :		
Notes receivable	(3,631)	(3,893)
Accounts receivable	(554,254)	316,110
Receivables from related parties	(476,638)	(97,108)
Other receivables	(82,101)	14,573
Other receivables from related parties	199	(6,143)
Inventories	(262,106)	(175,726)
Unearned receipts	22,913	133,266
Other current assets	(86,885)	(105,984)
Notes payable	4,830	2,970
Accounts payable	316,470	151,252
Other payables to related parties	5,111	-
Other accounts payable	428,137	76,417
Other payables to related parties	(2,488)	1,370
Accrued pension liabilities	4,006	(31,929)
Cash provided by operating activities	<u>6,319,076</u>	<u>6,337,259</u>
Gain on interest	17,092	57,451
Paid income tax	<u>(358,494)</u>	<u>(392,721)</u>
Net cash provided by operating activities	<u>5,977,674</u>	<u>6,001,989</u>

	For the nine-month period ended September 30,	
	2016	2015
	NTS'000	NTS'000
Cash flows from investing activities:		
Acquisition of financial assets in available-for-sale	-	(87,077)
Disposal of financial assets in available-for-sale	-	79,968
Financial assets at cost-noncurrent capital deducted by returning cash	1,296	11,118
Acquisition of investments accounted under the equity method	(10,200)	(2,179)
Acquisition of property, plant and equipment	(8,247,040)	(5,972,134)
Disposal of property, plant and equipment, and deferred assets	264,561	344,504
(Increase) decrease in refundable deposits	116	(2,699)
Acquisition of intangible assets.	(7,331)	-
Decrease in other financial assets	2,302	12,632
Decrease in other financial assets	-	35,769
Decrease in other prepaid	1,791	1,817
Gain on dividends income	8,857	8,762
Net cash used in investing activities	<u>(7,985,648)</u>	<u>(5,569,519)</u>

	For the nine-month period ended September 30,	
	2016	2015
	NTS'000	NTS'000
Cash flows from financing activities:		
Increase in short-term loans	16,001	-
Issuance of corporate bonds	1,595,779	-
Increase in long-term loans	7,485,721	6,441,779
Repayments of long-term loans	(6,498,569)	(4,837,763)
Increase in deposit received	63,159	128
Cash dividends and cash paid for employees' bonus	(1,394,753)	(2,146,146)
Treasury shares repurchased	-	(604,721)
Paid Interest	(122,671)	(112,214)
Net cash used by/generated from financing activities	<u>1,144,667</u>	<u>(1,258,937)</u>
The impact of exchange rate fluctuation on cash and cash equivalents	(117,540)	(33,536)
Net increase in cash and cash equivalents	(980,847)	(860,003)
Cash and cash equivalents at the beginning of period	<u>6,234,138</u>	<u>7,418,163</u>
Cash and cash equivalents at the end of period	<u>5,253,291</u>	<u>6,558,160</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, 2016 and 2015

	The owner's equity										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	Others	Treasury Stock	Total		
NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	NTS'000	
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 six-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
treasury stock acquired	-	-	-	-	-	-	-	-	(625,814)	(625,814)	-	(625,814)
Changes In Ownership Interests In Subsidiaries	-	32	-	-	-	-	-	-	-	32	-	32
Employee restricted stock	(240)	2,435	-	-	-	-	-	2,072	-	15,891	-	15,891
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)	22,039,992	4,818	22,044,810
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 earnings - 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	-	-	-	-	-	-	-	-	-	-	-	-
Equity change due to issuance of convertible bonds - convertible bonds recognized in equity	-	51,919	-	-	-	-	-	-	-	51,919	-	51,919
Changes in associates and joint venture - equity method	-	(613)	-	-	-	-	-	-	-	(613)	-	(613)
Net income for the nine-month period ended September 30, 2016	-	-	-	-	2,326,550	-	-	-	-	2,326,550	655	2,327,205
Other comprehensive income for the period	-	-	-	-	-	(340,227)	12,260	-	-	(327,967)	713	(327,254)
Total comprehensive income for the period	-	-	-	-	2,326,550	(340,227)	12,260	-	-	1,998,583	1,368	1,999,951
conversion of convertible corporate bonds	51,889	87,287	-	-	-	-	-	-	-	139,176	-	139,176
Balance as of September 30, 2016	11,674,833	4,964,246	1,658,280	201,416	4,782,838	(133,257)	(1,771)	-	-	23,146,585	6,248	23,152,833

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.
BALANCE SHEETS (CONSOLIDATED)
September 30, 2016, December 31, 2015, and September 30, 2015

Assets	Notes	2016/9/30 NTS'000	2015/12/31 NTS'000	2015/9/30 NTS'000
Current assets				
Cash and cash equivalents	6(1)	5,253,291	6,234,138	6,558,160
Available-for-sale financial assets-current	6(2)	113,995	115,787	64,154
Notes receivable, net	6(3)	12,094	8,463	15,295
Accounts receivable, net	6(4)	3,562,330	3,008,420	3,178,829
Receivables from related parties	6(4),7	1,162,395	685,757	814,039
Other receivables		169,171	95,897	157,097
Other receivables from related parties	7	121,973	100,614	109,585
Inventories	6(5)	676,335	414,229	462,010
Prepayments		278,637	211,606	333,574
Other current assets		304,102	217,217	273,015
Other financial assets-current	8	4	3,037	4,755
Total current assets		<u>11,654,327</u>	<u>11,095,165</u>	<u>11,970,513</u>
Non-current assets				
Available-for-sale financial assets-noncurrent	6(2)	20,931	9,638	4,916
Financial assets measured at cost-noncurrent	6(6)	1,620,165	1,621,461	621,461
Investments - equity method	6(7)	1,167,323	1,222,692	1,221,585
Property, plant & equipments	6(8),8	29,125,431	25,689,164	25,442,399
Intangible assets	6(9),6(11)	78,670	104,529	120,656
Deferred income tax assets	6(22)	318,918	449,824	506,434
Other financial assets-noncurrent	8	93,901	93,170	94,870
Other non-current assets - other	6(10)	133,677	146,493	150,285
Total non-current assets		<u>32,559,016</u>	<u>29,336,971</u>	<u>28,162,606</u>
Total Assets		<u><u>44,213,343</u></u>	<u><u>40,432,136</u></u>	<u><u>40,133,119</u></u>

KING YUAN ELECTRONICS CO., LTD.
BALANCE SHEETS (CONSOLIDATED)
September 30, 2016, December 31, 2015, and September 30, 2015

Liabilities and shareholders' Equity	Notes	2016/9/30 NTS'000	2015/12/31 NTS'000	2015/9/30 NTS'000
Current liabilities				
Short-term loans	6(12)	16,001	-	-
Notes payable		11,948	7,118	7,195
Accounts payable		844,901	528,431	648,122
Accounts payable- related parties	7	5,111	-	-
Other payables		2,153,296	1,725,293	1,848,426
Other payables to related parties	7	55,174	72,950	40,863
Payables to equipment suppliers		670,485	746,758	363,975
Income tax payable for the period	6(22)	336,233	342,912	271,096
Current portion of long-term loans payable	6(14),8	2,394,716	2,475,478	2,450,715
Other current liabilities		248,362	244,356	202,505
Total current liabilities		<u>6,736,227</u>	<u>6,143,296</u>	<u>5,832,897</u>
Non-current liabilities				
corporate bonds payable	6(13),8	1,409,006	-	-
Long-term loans	6(14)	12,535,511	11,615,080	11,992,437
Net defined benefit liability	6(15)	315,848	315,848	262,216
Deposits received		63,918	759	759
Total non-current liabilities		<u>14,324,283</u>	<u>11,931,687</u>	<u>12,255,412</u>
Total liabilities		<u>21,060,510</u>	<u>18,074,983</u>	<u>18,088,309</u>
The owner's equity				
Capital	6(16)			
Common stock		11,674,833	11,622,944	11,922,944
Additional paid-in capital	6(14),6(16),6(17)	4,964,246	5,987,947	6,313,848
Retained earnings	6(16)			
Legal reserve		1,658,280	1,430,126	1,430,126
Special reserve		201,416	201,416	201,416
Retained earnings-unappropriated		4,782,838	2,916,901	2,514,143
Total retained earnings		<u>6,642,534</u>	<u>4,548,443</u>	<u>4,145,685</u>
Other equity	6(17)	(135,208)	192,939	283,329
Treasury stock		-	-	(625,814)
The owner's equity		<u>23,146,585</u>	<u>22,352,273</u>	<u>22,039,992</u>
Non-controlling interest	6(16)	6,248	4,880	4,818
Total owner's equity		<u>23,152,833</u>	<u>22,357,153</u>	<u>22,044,810</u>
Total Liabilities and Equity		<u>44,213,343</u>	<u>40,432,136</u>	<u>40,133,119</u>

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