

MEGAFORCE CO., LTD.
AND ITS SUBSIDIARIES
Consolidated Financial Statements
JUNE 30, 2010 AND 2009

Address : 1F., No.5, Zihciang St., Tucheng City, Taipei County 236, Taiwan (R.O.C.)
Telephone : 886-2-2268-7790

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2010 AND 2009
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

		2010.06.30		2009.06.30				2010.06.30		2009.06.30	
		Amount	%	Amount	%			Amount	%	Amount	%
ASSETS											
Current Assets											
1100	Cash and cash equivalents	1,205,205	18	795,035	14	2100	Short-term loans	1,352,835	21	1,150,988	20
1310	Financial assets at fair value through profit or loss—current	1,826	-	319	-	2111	Commercial paper payable	30,000	-	180,000	3
1140	Notes and accounts receivable	2,044,906	31	1,469,755	26	2180	Financial liabilities at fair value through profit or	4,728	-	1,583	-
1190	Other financial assets—current	10,927	-	65,826	1	loss—current					
1210	Inventories	596,055	9	446,031	8	2121	Notes and accounts payable	980,428	15	572,430	10
1280	Prepayments and other current assets	45,747	1	82,187	2	2160	Income tax payable	58,756	1	15,729	-
1281	Other current assets	11,103	-	14,940	-	2170	Accrued expenses	454,622	7	345,133	6
1286	Deferred income tax assets—current	32,481	-	25,897	-	2224	Payables on equipment	13,017	-	24,523	1
1291	Restricted assets—current	94,282	1	84,501	1						
Total current assets		4,042,532	60	2,984,491	52	2271	Bonds payable— current portion	238,847	4	-	-
Funds And Investments											
1430	Financial assets at fair value through profit loss – non-current	-	-	920	-	2272	Bonds payable— current portion	195,127	3	45,059	1
1481	Financial assets at cost – non-current	61,164	1	-	-	2280	Receipts in advance and other current liabilities	19,552	-	76,260	1
Total funds and investments		61,164	1	920	-	2281	Other current liabilities	72,740	1	51,039	1
1440	Other Financial Assets – non current	43,826	1	52,483	1	Total current liabilities		3,420,652	52	2,462,744	43
Property, plant and equipment, net											
Cost						2411	Bonds payable	-	-	231,875	4
1501	Land	161,370	2	161,370	2	2420	Long-term loans decrease in current portion of loan-term	204,012	3	1,642	-
1521	Buildings	700,393	11	548,937	10	Total long-term liabilities		204,012	3	233,517	4
1531	Machinery and equipment	2,271,589	36	2,252,669	39	Other liabilities					
1551	Transportation equipment	55,747	1	53,826	1	2810	Accrued pension liabilities	76,873	1	71,644	1
1561	Office equipment	130,559	2	136,293	2	2820	Guarantee deposits received	813	-	631	-
1611	Leased assets	7,348	-	20,733	1	2881	Consolidation credits	41,325	1	52,493	1
1681	Other equipment	135,329	2	136,451	2	Total other liabilities		119,011	2	124,768	2
		3,462,335	54	3,310,279	58	Total liabilities		3,743,675	57	2,821,029	49
15X9	Less : Accumulated depreciation	(1,534,200)	(23)	(1,263,121)	(22)	Stockholders' equity					
1599	Less : Accumulated impairment—property, plant and equipment	(60,109)	(1)	(62,130)	(1)	Parent company's equity					
1672	Prepayments for equipment	42,362	1	118,937	2	3110	Common stock	1,366,421	21	1,324,031	23
1673	Construction in progress	5,856	-	13,754	-	3150		-	-	26,058	-
Total property, plant and equipment, net		1,916,244	31	2,117,719	37			1,366,421	21	1,350,089	23
Intangible assets											
1770	Deferred pension costs	8,747	-	1,954	-	32XX	Capital reserves	1,314,674	20	1,278,914	22
1750	Computer software costs	22,869	1	37,920	1	Retained Earnings (Cumulative Deficits)					
1760	Goodwill	31,904	-	32,438	1	3310	Legal reserve	-	-	134,584	3
1780	Other intangible assets	29,856	-	44,998	1	3353		(32,205)	-	(118,139)	(2)
1782	Land use rights	48,287	1	49,911	-			(32,205)	-	16,445	1
Total intangible assets		141,663	2	167,221	3	Stockholders' equity					
Other assets											
1830	Deferred expenses	199,875	3	226,999	4	3420	Cumulative translation adjustments	206,867	3	285,778	5
1860	Deferred income tax assets – non-current	143,944	2	190,503	3	3480	Treasury stock	(64,999)	(1)	(64,999)	(1)
1880	Other assets - other	635	-	823		Total parent company's equity		2,709,758	43	2,866,227	50
Total other assets		344,454	5	418,325	7	3610	Minority interest	15,450	-	53,903	1
Total assets		\$ 6,549,883	100	5,741,159	100	Total stockholders' equity		2,806,208	43	2,920,130	51
LIABILITIES AND STOCKHOLDERS' EQUITY											
Current liabilities											
Long-term liabilities											
Other liabilities											
Total current liabilities											
Total long-term liabilities											
Total other liabilities											
Total liabilities											
Stockholders' equity											
Parent company's equity											
Common stock											
Capital reserves											
Retained Earnings (Cumulative Deficits)											
Legal reserve											
Cumulative translation adjustments											
Treasury stock											
Total parent company's equity											
Minority interest											
Total stockholders' equity											
Contingent liability and commitments											
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY											
		\$ 6,549,883	100	5,741,159	100			\$ 6,549,883	100	5,741,159	100

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)

(REVIEWED, NOT AUDITED)

		2010		2009	
		Amount	%	Amount	%
Operating Revenues :					
4110	Gross sales	3,030,003	101	2,610,641	101
4170	Less: sales returns and allowances	(26,554)	(1)	(13,831)	(1)
	Net sales	3,003,449	100	2,596,810	100
5000	Cost of goods sold	(2,710,245)	(90)	(2,524,380)	(97)
	Gross profit	293,204	10	72,430	3
6000	Operating expenses :				
6100	Selling	(33,377)	(1)	(27,558)	(1)
6200	General and administrative	(191,996)	(6)	(210,478)	(8)
6300	Research and development	(38,783)	(1)	(50,616)	(2)
		(264,156)	(8)	(288,652)	(11)
	Operating Gain	29,048	2	(216,222)	(8)
Non-operating income and gains :					
7110	Interest income	2,535	-	3,139	-
7160	Foreign exchange gain	-	-	26,283	-
7320	Gain on valuation of financial assets	-	-	1,952	-
7480	Others	16,872	1	45,236	2
		19,407	1	76,610	5
Non-operating expenses and losses :					
7510	Interest expense	(19,187)	(1)	(36,773)	(1)
7530	Loss on disposal of assets and deferred expense	(551)	-	(9,050)	-
7560	Foreign exchange loss	(486)	-	-	-
7650	Loss on valuation of financial assets	(2,641)	-	-	-
7888	Others	(405)	-	(15,735)	(1)
		(23,270)	(1)	(61,558)	(2)
	Loss before income tax	25,185	2	(20,170)	(7)
8110	Income tax expense	(60,589)	(2)	60,561	2
9600	Net loss	\$ (35,404)	(1)	(140,609)	(5)
Attributable to:					
	Stockholders of the parent company	\$ (32,205)	-	(153,655)	(6)
	Minority interest	(3,199)	-	13,046	1
		\$ (35,404)	-	(140,609)	(5)
		Post-tax		Post-tax	
Attributable to Stockholders of the parent company					
9750	Basic earnings per share (NT dollars)	\$ (0.24)		(1.16)	

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
SIX-MONTH PERIODS ENDED JUNE 30, 2010 AND 2009
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

	2010	2009
Cash flows from operating activities :	(35,404)	(140,609)
Consolidated net loss		
Adjustments to reconcile net income to net cash provided		
by operating activities :		
Depreciation	147,290	179,773
Amortization	50,830	57,311
Employee stock option compensatory cost	21,946	16,966
Amortization of discount on convertible bonds payable	3,527	3,424
Gain (Loss) on disposal of assets and deferred expense, net	551	9,050
Fixed assets transferred to expense	134	(1,316)
Gain (Loss) on valuation of financial liabilities	10,589	1,105
Gain (Loss) on purchase of corporate bond	-	1
Gain on deferred income tax	(14,619)	(78,762)
Amortization of consolidation credits	(5,099)	(5,356)
Change in net operating assets and liabilities		
Notes and accounts receivable	(382,976)	885,512
Other accounts receivable – related parties	-	17
Inventories	(123,685)	192,424
Prepaid expenses and other current assets	(5,732)	54,593
Other financial assets	13,660	(11,349)
Notes and accounts payable	224,254	(605,651)
Income tax payable	(7,457)	(24,194)
Accrued expenses	20,753	(152,308)
Other accounts payable – related parties	(5)	(394)
Unearned receipts and other current liabilities	(770)	(8,365)
Accrued pension liabilities	4,048	4,262
Net cash provided by operating activities	(78,165)	376,134
Cash flows from investing activities :		
Financial assets at cost – non-current	(61,164)	-
Acquisition of property, plant and equipment	(74,275)	(118,488)
Sale of property, plant and equipment, deferred expenses, and intangible assets	1,519	11,893
Increase in deferred expenses	(9,828)	(3,629)
Decrease (increase) in restricted assets	(688)	66,877
Increase in intangible assets	(37)	(7,137)
Other financial assets – non-current decrease (increase)	(7,279)	27,683
Net cash used in investing activities	(151,752)	(22,801)
Cash flows from financing activities :		
Increase (Decrease) in short-term loans	55,614	(550,373)
Commercial paper payable	30,000	50,000
Purchase of corporate bond	-	(185)
Increase in long-term loans	291,908	-
Decrease in long-term loans	(31,194)	(58,712)
Increase in guarantee deposits received	204	89
Employee stock option exercise	5,793	1,322
Decrease in minority interest	2,833	-

Net cash provided by financing activities	355,158	(557,859)
Effect of exchange rate change on cash	1,055	5,973
Net Increase (Decrease) in cash and cash equivalents	126,305	(198,553)
Cash and cash equivalents at beginning of period	1,078,900	993,588
Cash and cash equivalents at end of period	<u><u>\$ 1,205,205</u></u>	<u><u>765,035</u></u>
Supplemental cash flow information		
Interest paid	<u><u>\$ 19,738</u></u>	<u><u>34,350</u></u>
Income tax paid	<u><u>\$ 81,004</u></u>	<u><u>46,076</u></u>
Supplemental information on investing and financing activities not affecting current cash flow :		
Current portion of long-term loans	<u><u>\$ 195,127</u></u>	<u><u>45,059</u></u>
Current portion of Bonds payable	<u><u>\$ 238,847</u></u>	<u><u>-</u></u>
Fixed assets reclassified to deferred expenses	<u><u>\$ 2,587</u></u>	<u><u>7,181</u></u>
Long-term investments in foreign currency cumulative translation adjustments	<u><u>\$ 30,571</u></u>	<u><u>(8,790)</u></u>
Dividends payable	<u><u>\$ -</u></u>	<u><u>26,057</u></u>
Payables for purchases of property, plant and equipment	<u><u>\$ 13,017</u></u>	<u><u>24,523</u></u>