

MEGAFORCE CO., LTD.
AND ITS SUBSIDIARIES
Consolidated Financial Statements
March 31, 2011 AND 2010

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MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)
(REVIEWED, NOT AUDITED)

| | | 2011 | | 2010 | | | | 2011 | | 2010 | |
|---|---|--------------|------|-------------|------|------|---|-----------|-----|-----------|-----|
| | | Amount | % | Amount | % | | | Amount | % | Amount | % |
| ASSETS | | | | | | | | | | | |
| Current Assets | | | | | | | | | | | |
| 1100 | Cash and cash equivalents | \$ 653,713 | 11 | 1,147,423 | 19 | 2180 | Financial liabilities at fair value through profit or loss –current | \$ 1,382 | - | 2,798 | - |
| 1310 | Financial assets at fair value through profit or loss – current | 555 | - | 2,988 | - | 2100 | Short-term loans | 1,138,810 | 19 | 1,345,013 | 22 |
| 1140 | Notes and accounts receivable | 2,011,865 | 35 | 1,611,276 | 27 | 2111 | Commercial paper payable | 30,000 | 1 | 30,000 | 1 |
| 1190 | Other financial assets – current | 13,326 | - | 88,273 | 1 | 2121 | Notes and accounts payable | 826,365 | 14 | 747,307 | 12 |
| 1210 | Inventories | 590,479 | 10 | 527,288 | 9 | 2160 | Income tax payable | 51,821 | 1 | 43,436 | 1 |
| 1280 | Prepayments and other current assets | 57,193 | 1 | 41,424 | 1 | 2170 | Accrued expenses | 380,266 | 7 | 398,443 | 7 |
| 1291 | Restricted assets – current | 197,650 | 3 | 87,918 | 1 | 2224 | Payables on equipment | 26,202 | - | 11,896 | - |
| 1286 | Deferred income tax assets – current | 29,863 | 1 | 19,906 | - | | Bonds payable– current portion | - | - | 237,083 | 4 |
| 1281 | Other current assets | 8,083 | - | 11,313 | - | 2271 | Bonds payable– current portion | 156,487 | 3 | 85,694 | 1 |
| | Total current assets | 3,562,727 | 61 | 3,537,809 | 58 | 2272 | Receipts in advance and other current liabilities | 21,829 | - | 26,147 | - |
| Funds And Investments | | | | | | | | | | | |
| 1481 | Financial assets at cost – non-current | 61,164 | 1 | 49,164 | 1 | 2280 | Other current liabilities | 65,475 | 1 | 106,127 | 2 |
| 1440 | Other financial assets – non current | 31,366 | 1 | 31,475 | 1 | 2281 | Total current liabilities | 2,698,637 | 46 | 3,033,944 | 50 |
| Property, plant and equipment, net | | | | | | | | | | | |
| Cost | | | | | | | | | | | |
| 1501 | Land | 53,474 | 1 | 161,370 | 3 | 2420 | Long-term liabilities | | | | |
| 1521 | Buildings | 582,108 | 10 | 688,656 | 11 | | Long-term loans decrease in current portion of loan-term loans | 333,865 | 6 | 139,062 | 2 |
| 1531 | Machinery and equipment | 2,208,873 | 38 | 2,236,065 | 38 | 2810 | Other liabilities | | | | |
| 1551 | Transportation equipment | 55,966 | 1 | 54,153 | 1 | 2820 | Accrued pension liabilities | 91,094 | 1 | 74,847 | 1 |
| 1561 | Office equipment | 122,087 | 2 | 128,636 | 2 | 2820 | Guarantee deposits received | 120 | - | 472 | - |
| 1611 | Leased assets | - | - | 7,205 | - | 2881 | Consolidation credits | 30,620 | 1 | 43,277 | 1 |
| 1681 | Other equipment | 126,728 | 2 | 133,782 | 2 | | Total other liabilities | 121,834 | 2 | 118,596 | 2 |
| | | 3,149,236 | 54 | 3,409,867 | 57 | | Total liabilities | 3,154,336 | 54 | 3,291,602 | 54 |
| 15X9 | Less : Accumulated depreciation | (1,599,237) | (27) | (1,452,734) | (23) | | Stockholders' equity | | | | |
| 1599 | Less : Accumulated impairment – property, plant and equipment | (47,647) | - | (60,454) | (1) | 3110 | Parent company's equity | 1,366,939 | 23 | 1,362,169 | 23 |
| 1672 | Prepayments for equipment | 22,301 | - | 24,959 | - | 32XX | Common stock | 1,347,153 | 24 | 1,308,335 | 22 |
| 1673 | Construction in progress | 13,122 | - | 5,089 | - | | Capital reserves | | | | |
| | Total property, plant and equipment, net | 1,537,775 | 27 | 1,926,727 | 33 | 3310 | Retained Earnings (Cumulative Deficits) | - | - | 134,584 | 2 |
| Intangible assets | | | | | | | | | | | |
| 1770 | Deferred pension costs | 18,642 | - | 8,747 | - | 3350 | Legal reserve | (90,304) | (2) | (159,049) | (3) |
| 1750 | Computer software costs | 15,851 | - | 28,534 | - | | Undistributed earnings (deficits not yet compensated) | (90,304) | (2) | (24,465) | (1) |
| 1760 | Goodwill | 29,077 | 1 | 31,450 | - | 3420 | Stockholders' equity | | | | |
| 1780 | Other intangible assets | 22,409 | - | 31,912 | 1 | 3430 | Cumulative translation adjustments | 90,438 | 2 | 161,391 | 3 |
| 1782 | Land use rights | 44,748 | 1 | 47,518 | 1 | 3480 | Not recognized as loss of pension cost | (4,520) | - | - | - |
| | Total intangible assets | 130,727 | 2 | 148,161 | 2 | | Treasury stock | (64,999) | (1) | (64,999) | (1) |
| Other assets | | | | | | | | | | | |
| 1810 | Idle assets | 192,924 | 3 | 684 | - | | Total parent company's equity | 20,919 | 1 | 96,392 | 2 |
| 1830 | Deferred expenses | 209,504 | 4 | 206,053 | 3 | | | 2,644,707 | 46 | 2,742,431 | 46 |
| 1860 | Deferred income tax assets – non-current | 87,037 | 1 | 147,362 | 2 | 3610 | Minority interest | 14,181 | - | 13,402 | - |
| | Total other assets | 489,465 | 8 | 354,099 | 5 | | Total stockholders' equity | 2,658,888 | 46 | 2,755,833 | 46 |
| | Total assets | \$ 5,813,224 | 100 | 6,047,435 | 100 | | Contingent liability and commitments | | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | | | | |
| Current liabilities | | | | | | | | | | | |
| Financial liabilities at fair value through profit or loss –current | | | | | | | | | | | |
| Short-term loans | | | | | | | | | | | |
| Commercial paper payable | | | | | | | | | | | |
| Notes and accounts payable | | | | | | | | | | | |
| Income tax payable | | | | | | | | | | | |
| Accrued expenses | | | | | | | | | | | |
| Payables on equipment | | | | | | | | | | | |
| Bonds payable– current portion | | | | | | | | | | | |
| Bonds payable– current portion | | | | | | | | | | | |
| Receipts in advance and other current liabilities | | | | | | | | | | | |
| Other current liabilities | | | | | | | | | | | |
| Total current liabilities | | | | | | | | | | | |
| Long-term liabilities | | | | | | | | | | | |
| Long-term loans decrease in current portion of loan-term loans | | | | | | | | | | | |
| Other liabilities | | | | | | | | | | | |
| Accrued pension liabilities | | | | | | | | | | | |
| Guarantee deposits received | | | | | | | | | | | |
| Consolidation credits | | | | | | | | | | | |
| Total other liabilities | | | | | | | | | | | |
| Total liabilities | | | | | | | | | | | |
| Stockholders' equity | | | | | | | | | | | |
| Parent company's equity | | | | | | | | | | | |
| Common stock | | | | | | | | | | | |
| Capital reserves | | | | | | | | | | | |
| Retained Earnings (Cumulative Deficits) | | | | | | | | | | | |
| Legal reserve | | | | | | | | | | | |
| Undistributed earnings (deficits not yet compensated) | | | | | | | | | | | |
| Stockholders' equity | | | | | | | | | | | |
| Cumulative translation adjustments | | | | | | | | | | | |
| Not recognized as loss of pension cost | | | | | | | | | | | |
| Treasury stock | | | | | | | | | | | |
| Total parent company's equity | | | | | | | | | | | |
| Minority interest | | | | | | | | | | | |
| Total stockholders' equity | | | | | | | | | | | |
| Contingent liability and commitments | | | | | | | | | | | |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | | | | | | |
| \$ 5,813,224 100 6,047,435 100 | | | | | | | | | | | |

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

THREE-MONTH PERIODS ENDED MARCH 31, 2011 AND 2010

(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)
(REVIEWED, NOT AUDITED)

| | | 2011 | | 2010 | |
|---|---|--------------------|-------------|--------------------|-------------|
| | | Amount | % | Amount | % |
| Operating Revenues : | | | | | |
| 4110 | Gross sales | \$ 1,582,220 | 101 | 1,353,572 | 101 |
| 4170 | Less: sales returns and allowances | (14,291) | (1) | (10,587) | (1) |
| | Net sales | 1,567,929 | 100 | 1,342,985 | 100 |
| 5000 | Cost of goods sold | (1,337,410) | (85) | (1,211,530) | (90) |
| | Gross profit | 230,519 | 15 | 131,455 | 10 |
| 6000 | Operating expenses : | | | | |
| 6100 | Selling | (26,843) | (2) | (16,063) | (1) |
| 6200 | General and administrative | (95,459) | (6) | (93,834) | (7) |
| 6300 | Research and development | (16,939) | (1) | (19,456) | (2) |
| | | (139,241) | (9) | (129,353) | (10) |
| | Operating Gain | 91,278 | 6 | 2,102 | - |
| Non-operating income and gains : | | | | | |
| 7110 | Interest income | 1,117 | - | 1,312 | - |
| 7160 | Foreign exchange gain | 3,752 | - | - | - |
| 7480 | Others | 20,739 | 1 | 9,334 | 1 |
| | | 25,608 | 1 | 10,646 | 1 |
| Non-operating expenses and losses : | | | | | |
| 7510 | Interest expense | (10,861) | (1) | (10,374) | (1) |
| 7530 | Loss on disposal of assets and deferred expense | (37) | - | (239) | - |
| 7560 | Foreign exchange loss | - | - | (3,985) | - |
| 7640 | | (3,563) | - | (2,630) | - |
| 7888 | Others | (174) | - | (310) | - |
| | | (14,635) | (1) | (17,538) | (1) |
| | Loss before income tax | 102,251 | 6 | (4,790) | - |
| 8110 | Income tax expense | (48,179) | (3) | (15,552) | (1) |
| 9600 | Net loss | \$ 54,072 | 3 | (20,342) | (1) |
| Attributable to: | | | | | |
| | Stockholders of the parent company | \$ 55,219 | 3 | (19,321) | (1) |
| | Minority interest | (1,147) | - | (1,021) | - |
| | | \$ 54,072 | 3 | (20,342) | (1) |
| | | Post-tax | | Post-tax | |
| Attributable to Stockholders of the parent company | | | | | |
| 9750 | Basic earnings per share (NT dollars) | \$ 0.41 | | (0.14) | |

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
THREE-MONTH PERIODS ENDED MARCH 31, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS, EXCEPT EARNINGS PER SHARE)
(REVIEWED, NOT AUDITED)

| | 2011 | 2010 |
|---|--------------------------|-------------------------|
| Cash flows from operating activities : | | |
| Consolidated net loss | \$ 54,072 | (20,342) |
| Adjustments to reconcile net income to net cash provided by operating activities : | | |
| Depreciation | 67,670 | 73,690 |
| Amortization | 23,343 | 26,332 |
| Employee stock option compensatory cost | 10,470 | 10,973 |
| Amortization of discount on convertible bonds payable | - | 1,763 |
| Gain (Loss) on disposal of assets and deferred expense, net | 37 | 239 |
| Expenses of fix assets transferred | 88 | - |
| Gain (Loss) on valuation of financial liabilities | 8,787 | 7,505 |
| Gain on deferred income tax | 16,728 | (6,125) |
| Amortization of consolidation credits | (2,390) | (2,550) |
| Change in net operating assets and liabilities | | |
| Notes and accounts receivable | 211,526 | 25,831 |
| Inventories | (44,787) | (63,427) |
| Prepaid expenses and other current assets | (16,724) | (1,075) |
| Other financial assets | (1,603) | (64,029) |
| Notes and accounts payable | (130,964) | 2,843 |
| Other accounts payable – related parties | - | (5) |
| Income tax payable | (21,433) | (21,819) |
| Accrued expenses | (87,443) | (28,690) |
| Unearned receipts and other current liabilities | (10,538) | 43,348 |
| Accrued pension liabilities | 2,162 | 2,023 |
| Net cash provided by operating activities | <u>79,001</u> | <u>(13,515)</u> |
| Cash flows from investing activities : | | |
| Financial assets at cost – non-current | - | (49,163) |
| Acquisition of property, plant and equipment | (34,488) | (39,376) |
| Disposal of property, plant and equipment | 2 | 154 |
| Increase in deferred expenses | (15,857) | (3,199) |
| Decrease in restricted assets | (154,491) | 4,798 |
| Decrease in other financial assets – non-current | 2,373 | 4,470 |
| Net cash used in investing activities | <u>(202,461)</u> | <u>(82,316)</u> |
| Cash flows from financing activities : | | |
| Increase (Decrease) in short-term loans | 119,174 | 58,013 |
| Commercial paper payable | - | 30,000 |
| Increase in long-term loans | - | 100,000 |
| Decrease in long-term loans | (41,925) | (11,626) |
| Increase in guarantee deposits received | (231) | (132) |
| Employee stock option exercise | 180 | 1,031 |
| Decrease in minority interest | - | (9,599) |
| Net cash provided by financing activities | <u>77,198</u> | <u>167,687</u> |
| Effect of exchange rate change on cash | <u>1,679</u> | <u>(3,333)</u> |
| Effect of the consolidated entity on cash | <u>(44,583)</u> | <u>68,523</u> |
| Cash and cash equivalents at beginning of period | <u>698,296</u> | <u>1,078,900</u> |
| Cash and cash equivalents at end of period | <u><u>\$ 653,713</u></u> | <u><u>1,147,423</u></u> |
| Supplemental cash flow information | | |
| Interest paid | <u>\$ 10,711</u> | <u>8,954</u> |
| Income tax paid | <u>\$ 53,213</u> | <u>43,585</u> |
| Supplemental information on investing and financing activities not affecting current cash flow : | | |

| | | | |
|---|-----------|----------------|---------------|
| Current portion of long-term loans | <u>\$</u> | <u>156,487</u> | <u>85,694</u> |
| Payables for purchases of property, plant and equipment | <u>\$</u> | <u>26,202</u> | <u>11,896</u> |