

MEGAFORCE CO., LTD.
AND ITS SUBSIDIARIES
Consolidated Financial Statements
JUNE 30, 2011 AND 2010

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, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

		2011.06.30		2010.06.30				2011.06.30		2010.06.30	
		Amount	%	Amount	%			Amount	%	Amount	%
ASSETS											
Current Assets											
1100	Cash and cash equivalents	778,671	13	1,205,205	18	2100	Short-term loans	1,371,472	23	1,352,835	21
1310	Financial assets at fair value through profit or loss -current	2,024	-	1,826	-	2111	Commercial paper payable	-	-	30,000	-
1140	Notes and accounts receivable	2,203,566	36	2,044,906	31	2180	Financial liabilities at fair value through profit or	998	-	4,728	-
1190	Other financial assets -current	9,564	-	10,927	-		loss –current				
1210	Inventories	546,374	9	596,055	9	2121	Notes and accounts payable	834,102	14	980,428	15
1280	Prepayments	51,968	1	45,747	1	2160	Income tax payable	63,069	1	58,756	1
1281	Other current assets	17,771	-	11,103	-	2170	Accrued expenses	394,650	6	454,622	7
1286	Deferred income tax assets -current	31,083	1	32,481	-	2224	Payables on equipment	27,456	-	13,017	-
1291	Restricted assets -current	195,751	3	94,282	1		Bonds payable– current portion	-	-	238,847	4
	Total current assets	3,836,772	63	4,042,532	60	2271	Bonds payable– current portion	213,815	4	195,127	3
Funds And Investments											
1481	Financial assets at cost -non-current	61,164	1	61,164	1	2280	Receipts in advance and other current liabilities	11,193	-	19,552	-
1440	Other Financial Assets - non current	20,602	-	43,826	1	2281	Other current liabilities	64,281	1	72,740	1
	Total funds and investments	81,766	1	104,990	2		Total current liabilities	2,981,036	49	3,420,652	52
Property, plant and equipment, net											
Cost											
1501	Land	53,474	1	161,370	2	2420	Long-term liabilities				
1521	Buildings	578,650	10	700,393	11		Long-term loans decrease in current portion of loan-term	232,402	4	204,012	3
1531	Machinery and equipment	2,287,964	38	2,271,589	36		loans				
1551	Transportation equipment	54,743	1	55,747	1		Total long-term liabilities	232,402	4	204,012	3
1561	Office equipment	118,825	2	130,559	2	2810	Other liabilities	93,253	2	76,873	1
1611	Leased assets	-	-	7,348	-	2820	Accrued pension liabilities	120	-	813	-
1681	Other equipment	126,252	2	135,329	22	2881	Guarantee deposits received	27,680	-	41,325	1
		3,219,908	54	3,462,335	54		Consolidation credits	121,053	2	119,011	2
15X9	Less : Accumulated depreciation	(1,633,246)	(27)	(1,534,200)	(23)		Total other liabilities	3,3334,491	55	3,743,675	57
1599	Less : Accumulated impairment -property, plant and	(47,360)	(1)	(60,109)	(1)		Total liabilities				
	equipment						Stockholders' equity				
1672	Prepayments for equipment	19,857	-	42,362	1	3110	Parent company's equity	1,374,371	23	1,366,421	21
1673	Construction in progress	5,274	-	5,856	-		Common stock				
	Total property, plant and equipment, net	1,564,433	26	1,916,244	31	32XX	Capital reserves	1,203,075	20	1,314,674	20
Intangible assets											
1770	Deferred pension costs	18,642	-	8,747	-		Retained Earnings (Cumulative Deficits)				
1750	Computer software costs	13,153	1	22,869	1	3350	Undistributed earnings	139,742	2	(32,205)	-
1760	Goodwill	28,468	-	31,904	-						
1780	Other intangible assets	20,372	-	29,856	-		Stockholders' equity				
1782	Land use rights	44,111	1	48,287	1	3420	Cumulative translation adjustments	74,247	1	206,867	3
	Total intangible assets	124,746	2	141,663	2	3430	Not recognized as loss of pension cost	(4,520)	-	-	-
Other assets											
1810	Idle Assets	192,317	3	635	-	3480	Treasury stock	(64,999)	(1)	(64,999)	(1)
1830	Deferred expences	191,504	3	199,875	3	3610	Total parent company's equity	2,721,916	45	2,790,758	43
1860	Deferred income tax assets - non-current	78,190	2	143,944	2		Minority interest	13,321	-	15,450	-
	Total other assets	462,011	8	344,454	5		Total stockholders' equity	2,735,237	45	2,806,208	43
Total assets											
		\$ 6,069,728	100	\$ 6,549,883	100		Contingent liability and commitments				
								TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,069,728	100	\$ 6,549,883 100

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

		2011		2010	
		Amount	%	Amount	%
Operating Revenues :					
4110	Gross sales	3,309,048	101	3,030,003	101
4170	Less: sales returns and allowances	(30,445)	(1)	(26,554)	(1)
Net sales		<u>3,278,603</u>	<u>100</u>	<u>3,003,449</u>	<u>100</u>
5000	Cost of goods sold	<u>(2,775,739)</u>	<u>(85)</u>	<u>(2,710,245)</u>	<u>(90)</u>
Gross profit		<u>502,864</u>	<u>15</u>	<u>293,204</u>	<u>10</u>
6000	Operating expenses :				
6100	Selling	(54,094)	(2)	(33,377)	(1)
6200	General and administrative	(181,630)	(6)	(191,996)	(6)
6300	Research and development	(35,403)	(1)	(38,783)	(1)
		<u>(271,127)</u>	<u>(9)</u>	<u>(264,156)</u>	<u>(8)</u>
Operating Gain		<u>231,737</u>	<u>6</u>	<u>29,048</u>	<u>2</u>
Non-operating income and gains :					
7110	Interest income	2,353	-	2,535	-
7130	Gain on disposal of assets	709	-	-	-
7280	Gain on reversal of impairment loss	37	-	-	-
7320	Gain on valuation of financial assets	1,796	-	-	-
7480	Others	29,887	1	16,872	1
		<u>34,782</u>	<u>1</u>	<u>19,407</u>	<u>1</u>
Non-operating expenses and losses :					
7510	Interest expense	(22,161)	(1)	(19,187)	(1)
7530	Loss on disposal of assets and deferred expense	-	-	(551)	-
7560	Foreign exchange loss	(5,516)	-	(486)	-
7650	Loss on valuation of financial assets	-	-	(2,641)	-
7888	Others	(267)	-	(405)	-
		<u>(27,944)</u>	<u>(1)</u>	<u>(23,270)</u>	<u>(1)</u>
Loss before income tax		<u>238,575</u>	<u>6</u>	<u>25,185</u>	<u>2</u>
8110	Income tax expense	<u>(100,705)</u>	<u>(3)</u>	<u>(60,589)</u>	<u>(2)</u>
9600	Net loss	<u>\$ (137,870)</u>	<u>(3)</u>	<u>\$ (35,404)</u>	<u>(1)</u>
Attributable to:					
	Stockholders of the parent company	\$ 139,742	4	\$ (32,205)	-
	Minority interest	(1,872)	-	(3,199)	-
		<u>\$ 137,870</u>	<u>-</u>	<u>\$ (35,404)</u>	<u>-</u>
		<u>Post-tax</u>		<u>Post-tax</u>	
Attributable to Stockholders of the parent company					
9750	Basic earnings per share	<u>\$ 1.04</u>		<u>(0.24)</u>	
9850	Diluted earnings per share	<u>\$ 1.03</u>			

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	Common Stock	Capital Reserves	Cumulative Deficits		Cumulative Translation Adjustments	Net loss not recognized as pension cost	Treasury stock	Minority interest	Total
			Legal Reserve	Undistributed Earning (deficits not yet compensated)					
Balance at January 1, 2010	\$ 1,361,249	1,297,251	134,584	(139,728)	176,296	-	(64,999)	59,772	2,824,425
Capital Reserves make up for losses	-	(5,144)	-	5,144	-	-	-	-	-
Legal Reserve make up for losses	-	-	(134,584)	134,584	-	-	-	-	-
Employee stock option exercise	5,172	621	-	-	-	-	-	-	5,793
Employee stock option compensatory cost	-	21,946	-	-	-	-	-	-	21,946
Net loss for the six months ended June 30, 2010	-	-	-	(32,205)	-	-	-	(3,199)	(35,404)
Adjustment of investee foreign exchange for under the equity method	-	-	-	-	30,571	-	-	1,305	31,876
Increase in minority interest	-	-	-	-	-	-	-	(42,428)	(42,428)
Balance at June 30, 2010	1,366,421	1,314,674	-	(32,205)	206,867	-	(64,999)	15,450	2,806,208
Balance at January 1, 2011	1,366,779	1,336,663	-	(145,523)	56,977	(4,520)	(64,999)	12,169	2,557,546
Capital Reserves make up for losses	-	(145,523)	-	145,523	-	-	-	-	-
Employee stock option exercise	7,592	911	-	-	-	-	-	-	8,503
Employee stock option compensatory cost	-	11,024	-	-	-	-	-	-	11,024
Net income for the six months ended June 30, 2011	-	-	-	139,742	-	-	-	(1,872)	137,870
Adjustment of investee foreign exchange for under the equity method	-	-	-	-	17,270	-	-	127	17,397
Minority interest of Changes	-	-	-	-	-	-	-	2,897	2,897
Balance at June 30, 2011	\$ 1,374,371	1,203,075	-	139,742	74,247	(4,520)	(64,999)	13,321	2,735,237

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	2011	2010
Cash flows from operating activities :		
Consolidated net gain (loss)	\$ 137,870	\$ (35,404)
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	133,675	147,290
Amortization	37,040	50,830
Employee stock option compensatory cost	11,024	21,946
Amortization of discount on convertible bonds payable	-	3,527
Gain (Loss) on disposal of assets and deferred expense, net	(709)	551
Fixed assets transferred to expense	1,001	134
Gain (Loss) on valuation of financial liabilities	6,938	10,589
Gain (Loss) on reversal of impairment loss	(37)	-
Loss(Gain) on deferred income tax	26,757	(14,619)
Amortization of consolidation credits	(4,662)	(5,099)
Change in net operating assets and liabilities		
Notes and accounts receivable	4,214	(382,976)
Inventories	(4,539)	(123,685)
Prepaid expenses and other current assets	(11,393)	(5,723)
Other financial assets-current	2,094	13,660
Notes and accounts payable	(116,517)	224,254
Other accounts payable – related parties	-	(5)
Income tax payable	(9,797)	(7,457)
Accrued expenses	(69,882)	20,753
Unearned receipts and other current liabilities	(12,733)	(770)
Accrued pension liabilities	4,321	4,048
Net cash provided by operating activities	<u>134,665</u>	<u>(78,165)</u>
Cash flows from investing activities :		
Financial assets at cost – non-current	-	(61,164)
Acquisition of property, plant and equipment	(138,490)	(74,275)
Sale of property, plant and equipment, deferred expenses, and intangible assets	740	1,519
Increase in intangible assets and deferred expenses	(17,210)	(9,865)
Decrease (increase) in restricted assets	(152,913)	(688)
Other financial assets – non-current decrease (increase)	12,755	(7,279)
Net cash used in investing activities	<u>(295,118)</u>	<u>(151,752)</u>
Cash flows from financing activities :		
Increase (Decrease) in short-term loans	358,210	55,614
Commercial paper payable	(30,000)	30,000
Increase in long-term loans	-	291,908
Decrease in long-term loans	(82,355)	(31,194)
Increase in guarantee deposits received	(229)	204
Employee stock option exercise	8,503	5,793
Increase in minority interest	(9,599)	2,833
Net cash provided by financing activities	<u>244,530</u>	<u>355,158</u>
Effect of exchange rate change on cash	<u>(3,702)</u>	<u>1,055</u>
Net Increase (Decrease) in cash and cash equivalents	<u>80,375</u>	<u>126,305</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>\$ 778,671</u></u>	<u><u>\$ 1,205,205</u></u>
Supplemental cash flow information		
Interest paid	<u>\$ 31,337</u>	<u>\$ 19,738</u>
Income tax paid	<u>\$ 83,778</u>	<u>\$ 81,004</u>
Supplemental information on investing and financing activities not affecting current cash flow :		
Current portion of long-term loans	<u>\$ 213,815</u>	<u>\$ 195,127</u>
Current portion of Bonds payable	<u>\$ -</u>	<u>\$ 238,847</u>
Payables for purchases of property, plant and equipment	<u>\$ 27,456</u>	<u>\$ 13,017</u>