

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

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MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2011 AND 2010
(Expressed In Thousands Of New Taiwan Dollars)

		2011		2010				2011		2010	
		Amount	%	Amount	%			Amount	%	Amount	%
ASSETS											
Current Assets											
1100	Cash and cash equivalents	\$	908,714	14	698,296	12	2180	Financial liabilities at fair value through profit or loss - current	\$	2,172	-
1310	Financial assets at fair value through profit or loss—current		6,000	-	8,228	-	2100	Short-term loans		1,045,617	17
1140	Notes and accounts receivable		2,149,414	35	2,185,433	37	2110	Short-term Notes Bills Payable		-	30,000
1190	Other financial assets — current		40,115	1	11,567	-	2140	Notes and accounts payable		752,716	12
1210	Inventories		495,789	8	536,279	9	2160	Income tax payable		23,634	-
1260	Prepayments		43,010	1	43,765	1	2170	Accrued expenses		480,874	8
1286	Deferred income tax assets - current		37,955	1	36,377	1	2224	Payables on equipment		52,904	1
1291	Restricted assets — current		364,942	6	42,832	1	2272	Bonds payable— current portion		146,881	3
1298	Other current assets		32,660	-	4,048	-	2260	Receipts in advance		20,870	-
	Total current assets		4,078,599	66	3,566,825	61	2298	Other current liabilities		84,811	1
Funds And Investments											
1421	Long-term investments at equity		24,872	-	0	-		Total current liabilities		2,610,479	42
1481	Financial assets at cost — non-current		61,164	1	61,164	1		Long-term liabilities			
1440	Other financial assets — non-current		25,570	-	33,174	1	2400	Financial liabilities at fair value through profit or loss - non-current		2,460	-
	Total Funds And Investments		111,606	1	94,338	2	2411	Corporate bonds payable		276,102	5
Property, plant and equipment, net											
Cost											
1501	Land		53,474	2	53,474	1	2420	Long-term loans decrease in current portion of loan-term loans		51,493	1
1521	Buildings		623,450	10	570,646	10		Total long-term liabilities		330,055	6
1531	Machinery and equipment		2,495,855	40	2,130,370	36		Other liabilities			
1551	Transportation equipment		51,948	1	53,238	1	2810	Accrued pension liabilities		96,144	2
1561	Office equipment		117,280	2	118,094	2	2820	Guarantee deposits received		484	-
1611	Leased assets		-	-	6,799	-	2860	Deferred Income Tax Liabilities		11,352	-
1681	Other equipment		495,311	8	419,897	7	2881	Consolidation credits		24,275	-
			3,837,318	63	3,352,518	57		Total other liabilities		132,255	2
15X9	Less : Accumulated depreciation		(2,003,768)	(32)	(1,642,783)	(27)		Total liabilities		3,072,789	50
1599	Less : Accumulated impairment— property, plant and equipment		(87,331)	(1)	(47,391)	(1)		Stockholders' equity			
1671	Construction in progress		11,484	-	24,779	-		Parent company's equity			
1672	Prepayments for equipment		16,086	-	55,716	1	3110	Common stock		1,361,771	22
	Total property, plant and equipment, net		1,773,789	30	1,742,839	30	32XX	Capital reserves		1,197,258	20
Intangible assets											
1770	Deferred pension costs		17,208	-	18,642	-	3350	Undistributed earnings (deficits not yet compensated)		275,563	4
1750	Computer software costs		9,282	-	20,622	-		Other stockholders' equity			
1760	Goodwill		29,939	1	28,792	1	3420	Cumulative translation adjustments		250,605	4
1780	Other intangible assets		18,129	-	23,774	-	3430	Not recognized as loss of pension cost		(4,529)	-
1782	Land use rights		47,055	1	44,136	1	3480	Treasury stock		-	-
	Total intangible assets		121,613	2	135,966	2				246,076	4
Other assets											
1810	Idle assets		465	-	193,518	3		Total parent company's equity		3,080,668	50
1860	Deferred income tax assets - non-current		80,366	1	101,941	2	3610	Minority interest		12,981	-
1880	Other Assets		-	-	9,979	-		Total stockholders' equity		3,093,649	50
	Total other assets		80,831	1	305,438	5	Contingent liability and commitments				
TOTAL ASSETS											
		\$	6,166,438	100	5,845,406	100	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY				
									\$	6,166,438	100
										5,845,406	100

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(Expressed In Thousands Of New Taiwan Dollars, Except Earnings Per Share)

	2011		2010	
	Amount	%	Amount	%
Operating Revenues :				
4110 Gross sales	\$ 6,470,753	101	6,759,304	100
4170 Less: sales returns and allowances	(56,013)	(1)	(49,859)	-
Net sales	6,414,740	100	6,709,445	100
5000 Cost of goods sold	(5,544,881)	(86)	(6,040,808)	(90)
Gross profit	869,859	14	668,637	10
6000 Operating expenses :				
6100 Selling	(105,053)	(2)	(97,324)	(2)
6200 General and administrative	(380,582)	(6)	(404,849)	(6)
6300 Research and development	(74,987)	(1)	(76,436)	(1)
	(560,622)	(9)	(578,609)	(9)
Operating Gain	309,237	5	90,028	1
Non-operating income and gains :				
7110 Interest income	5,143	-	3,530	-
7130 Gain on disposal of assets	147,009	2	350	-
7160 Foreign exchange gain	17,027	-	-	-
7310 Gain on valuation of financial instruments	-	-	16,787	-
7480 Others	57,395	1	43,655	1
	226,574	3	64,322	1
Non-operating expenses and losses :				
7510 Interest expense	(46,044)	(1)	(39,935)	(1)
7560 Foreign exchange loss	-	-	(57,563)	(1)
7521 Investment Loss Equity Method Investees	(1,038)	-	-	-
7630 Impairment Loss on Assets	(34,465)	-	(7,497)	-
7640 Loss on valuation of financial instruments	(12,778)	-	-	-
7888 Others	(2,396)	-	(18,019)	-
	(96,721)	(1)	(123,014)	(2)
Loss before income tax	439,090	7	31,336	0
8110 Income tax expense	(141,612)	(2)	(182,304)	(3)
9600 Net gain (loss)	\$ 297,478	5	(150,968)	(3)
Attributable to:				
Stockholders of the parent company	\$ 300,727	5	(145,523)	2
Minority interest	(3,249)	-	(5,445)	-
	\$ 297,478	5	(150,968)	2
	Post-tax		Post-tax	
Attributable to Stockholders of the parent company				
9750 Basic earnings per share (NT dollars)	\$ 2.22		(1.08)	
9850 Dilute earnings per share (NT dollars)	\$ 2.13			

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2011 AND 2010
(EXPRESSED IN THOUSANDS OF NEW TAIWAN DOLLARS)

	Cumulative Deficits					Net loss not recognized as pension cost	Treasury stock	Minority interest	Total
	Common Stock	Capital Surplus	Legal Reserve	Undistributed Earning(deficits not yet compensated)	Cumulative Translation Adjustments				
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 Surplus Used to Offset Accumulated Deficits	-	(5,144)	-	5,144	-	-	-	-	-
Legal Reserve Used to Offset Accumulated Deficits	-	-	(134,584)	134,584	-	-	-	-	-
Exercise of Employee Stock Options	5,530	664	-	-	-	-	-	-	6,194
Employee stock option compensatory cost	-	43,892	-	-	-	-	-	-	43,892
Net loss not recognized as pension cost	-	-	-	-	-	(4,520)	-	-	(4,520)
Consolidated net loss for 2010	-	-	-	(145,523)	-	-	-	(5,445)	(150,968)
Adjustment of investee foreign exchange for under the equity method	-	-	-	-	(119,319)	-	-	270	(119,049)
Minority interest of Changes	-	-	-	-	-	-	-	(42,428)	(42,428)
Balance at December 31, 2010	1,366,779	1,336,663	-	(145,523)	56,977	(4,520)	(64,999)	12,169	2,557,546
Capital Surplus Used to Offset Accumulated Deficits	-	(145,523)	-	145,523	-	-	-	-	-
Exercise of Employee Stock Options	14,992	1,799	-	-	-	-	-	-	16,791
Employee stock option compensatory cost	-	14,344	-	-	-	-	-	-	14,344
Equity Component of Convertible Bonds Issued	-	13,813	-	-	-	-	-	-	13,813
Retirement of Treasury Stock	(20,000)	(19,835)	-	(25,164)	-	-	64,999	-	-
Net loss not recognized as pension cost	-	-	-	-	-	(9)	-	-	(9)
Consolidated net Gain for 2011	-	-	-	300,727	-	-	-	(3,249)	297,478
Effect on (Long-term) Equity Investment Not Recognized by Shareholding Percentage	-	(4,003)	-	-	-	-	-	-	(4,003)
Adjustment of investee foreign exchange for under the equity method	-	-	-	-	193,628	-	-	1,040	194,668
Minority interest of Changes	-	-	-	-	-	-	-	3,021	3,021
Balance at December 31, 2011	1,361,771	1,197,258	-	275,563	250,605	(4,529)	-	12,981	3,093,649

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED December 31, 2011 AND 2010
(Expressed In Thousands Of New Taiwan Dollars)

	2011	2010
Cash flows from operating activities :		
Consolidated net loss	\$ 297,478	(150,968)
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	320,226	342,366
Amortization	19,658	33,829
Employee stock option compensatory cost	14,344	43,892
Amortization of discounts(Premiums) on convertible bonds payable	3,829	6,220
Investment Loss Recognized under Equity Method	1,038	-
Gain on disposal of assets and deferred expense, net	(147,009)	(457)
Expenses of fix assets transferred	1,614	-
Gain on disposal of long-term investments	-	(690)
Unrealized Revaluation Loss (Gain) on Financial Assets and Liabilities	12,033	(2,035)
Impairment Loss on Non-Financial Assets	34,465	7,497
Loss on Bond Redemption	-	16,622
Loss on Deferred Income Tax	16,458	41,173
Amortization of consolidation credits	(9,408)	(10,085)
Change in net operating assets and liabilities		
Financial Assets Held for Trading	(6,000)	-
Notes and Accounts Receivable	211,473	(618,820)
Inventories	82,430	(91,726)
Prepaid Expenses and Other Current Assets	(13,540)	675
Other Financial Assets- Current	(27,833)	11,702
Notes and accounts payable	(263,668)	229,803
Income Tax Payable	(53,030)	10,930
Accrued Expenses	(21,579)	52,115
Other Accounts Payable - Related Parties	-	(5)
Unearned Receipts and Other Current Liabilities	22,100	23,729
Accrued Pension Liabilities	8,637	1,692
Net cash provided by operating activities	<u>503,716</u>	<u>(52,541)</u>
Cash flows from investing activities :		
Financial Assets at Cost - Non-Current	-	(61,164)
Acquisition of Long-term Investments under Equity Method	(25,910)	-
Proceeds from Disposal of Long-term Investments under Equity Method	-	1,074
Purchase of Property, Plant and Equipment	(233,373)	(199,241)
Proceeds from Disposal of Property, Plant and Equipment	343,176	9,932
Decrease(Increase) in restricted assets	(324,824)	47,392
Purchase of Intangible Assets	(475)	(8,939)
Decrease in other financial assets - non-current	14,327	420
Net cash used in investing activities	<u>(227,079)</u>	<u>(210,526)</u>
Cash flows from financing activities :		
Decrease in Short-Term Loans	(18,757)	(246,920)
Increase (Decrease) in Short-term Notes and Bills Payable	(30,000)	30,000
Convertible Bonds Payable	293,415	-
Redemption and Repurchase of Convertible Bonds	-	(256,400)
Increase in Long-Term Loans	45,435	475,358
Decrease in Long-Term Loans	(389,995)	(71,482)
Increase(Decrease) in Guarantee Deposits Received	116	(243)
Employee Stock Option Exercise	16,791	6,194
Decrease in Minority Interest	(8,627)	(6,766)
Net cash provided by financing activities	<u>(91,622)</u>	<u>(70,259)</u>
Effect of exchange rate change on cash	<u>25,403</u>	<u>(44,678)</u>
Effect of the consolidated entity on cash	<u>-</u>	<u>(2,600)</u>
Increase(Derease) in cash	<u>210,418</u>	<u>(380,604)</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>\$ 908,714</u>	<u>698,296</u>
Supplemental cash flow information		
Interest Paid	<u>\$ 45,972</u>	<u>42,745</u>
Income Tax Paid	<u>\$ 173,831</u>	<u>133,968</u>
Supplemental information on investing and financing activities not affecting current cash flow :		
Current Portion of Long-Term Loans	<u>\$ 146,881</u>	<u>186,518</u>
Payables for Purchases of Property, Plant and Equipment	<u>\$ 52,904</u>	<u>29,566</u>