

**MEGAFORCE CO., LTD.  
AND ITS SUBSIDIARIES  
Consolidated Financial Statements  
March 31, 2012 AND 2011  
(Reviewed, Not Audited)**

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**MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**MARCH 31, 2012 AND 2011**  
**(Expressed In Thousands Of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

ASSETS		2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY		2012		2011								
		Amount	%	Amount	%			Amount	%	Amount	%							
Current Assets																		
1100	Cash and cash equivalents	\$	773,531	15	653,713	11	2180	Financial liabilities at fair value through profit or loss - current	\$	-	-	1,382	-					
1310	Financial assets at fair value through profit or loss—current		2	-	555	-	2100	Short-term loans		753,451	14	1,138,810	19					
1140	Notes and accounts receivable		1,532,913	29	2,011,865	35	2110	Short-term Notes Bills Payable		-	-	30,000	1					
1190	Other financial assets—current		20,065	-	13,326	-	2140	Notes and accounts payable		591,281	11	826,365	14					
1210	Inventories		542,527	10	590,479	10	2160	Income tax payable		12,772	-	51,821	1					
1260	Prepayments		71,070	1	66,542	1	2170	Accrued expenses		345,200	7	380,266	7					
1286	Deferred income tax assets - current		21,382	-	29,863	1	2224	Payables on equipment		10,741	-	26,202	-					
1291	Restricted assets — current		345,005	7	197,650	3	2272	Bonds payable— current portion		66,442	1	156,487	3					
1298	Other current assets		20,964	-	8,083	-	2260	Receipts in advance		28,315	1	21,829	-					
Total current assets			3,327,459	62	3,572,076	61	2298	Other current liabilities		39,035	1	65,475	1					
Funds And Investments																		
1421	Long-term investments at equity		21,761	-	-	-	Total current liabilities			1,847,237	35	2,698,637	46					
1481	Financial assets at cost — non-current		61,164	2	61,164	1	Long-term liabilities											
1440	Other financial assets — non-current		66,211	1	31,366	1	2400	Financial liabilities at fair value through profit or loss - non-current		1,380	-	-	-					
Total Funds And Investments			149,136	3	92,530	2	2411	Corporate bonds payable		278,330	5	-	-					
Property, plant and equipment, net																		
Cost																		
1501	Land		53,474	1	53,474	1	2420	Long-term loans decrease in current portion of loan-term loans		81,207	2	333,865	6					
1521	Buildings		605,610	12	582,108	10	Total long-term liabilities			360,917	7	333,865	6					
1531	Machinery and equipment		2,442,097	46	2,208,873	38	Other liabilities											
1551	Transportation equipment		51,406	1	55,966	1	2810	Accrued pension liabilities		98,276	2	91,094	1					
1561	Office equipment		112,245	2	122,087	2	2820	Guarantee deposits received		15	-	120	-					
1681	Other equipment		477,715	9	467,941	8	2860	Deferred Income Tax Liabilities		5,877	-	-	-					
			3,742,547	71	3,490,449	60	2881	Consolidation credits		23,266	-	30,620	1					
15X9	Less : Accumulated depreciation		(2,017,779)	(38)	(1,740,295)	(29)	Total other liabilities			127,434	2	121,834	2					
1599	Less : Accumulated impairment—property, plant and equipment		(85,749)	(2)	(47,647)	-	Total liabilities			2,335,588	44	3,154,336	54					
1671	Construction in progress		10,415	-	13,122	-	Stockholders' equity											
1672	Prepayments for equipment		22,714	-	22,301	-	Parent company's equity											
Total property, plant and equipment, net			1,672,148	31	1,737,930	31	3110	Common stock		1,361,846	25	1,366,939	23					
Intangible assets												32XX	Capital reserves		1,198,862	22	1,347,153	24
1770	Deferred pension costs		17,208	-	18,642	-	3350	Undistributed earnings (deficits not yet compensated)		253,812	5	(90,304)	(2)					
1750	Computer software costs		8,598	-	15,851	-	Other stockholders' equity											
1760	Goodwill		32,476	1	29,077	1	3420	Cumulative translation adjustments		195,556	4	90,438	2					
1780	Other intangible assets		17,878	-	22,409	-	3430	Not recognized as loss of pension cost		(4,529)	-	(4,520)	-					
1782	Land use rights		45,876	1	44,748	1	3480	Treasury stock		-	-	(64,999)	(1)					
Total intangible assets			122,036	2	130,727	2		Total parent company's equity		191,027	4	20,919	1					
Other assets													3,005,547	56	2,644,707	46		
1810	Idle assets		-	-	192,924	3	3610	Minority interest		11,970	-	14,181	-					
1860	Deferred income tax assets - non-current		82,326	2	87,037	1	Total stockholders' equity			3,017,517	56	2,658,888	46					
Total other assets			82,326	2	279,961	4	Contingent liability and commitments											
TOTAL ASSETS												TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY				
		\$	5,353,105	100	5,813,224	100			\$	5,353,105	100	5,813,224	100					

**MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2012 AND 2011**  
(Expressed In Thousands Of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

		2012		2011	
		Amount	%	Amount	%
<b>Operating Revenues :</b>					
4110	Gross sales	\$ 1,136,263	101	1,579,052	101
4170	Less: sales returns and allowances	(10,902)	(1)	(11,123)	(1)
<b>Net sales</b>		1,125,361	100	1,567,929	100
5000	<b>Cost of goods sold</b>	(997,633)	(89)	(1,337,410)	(85)
<b>Gross profit</b>		127,728	11	230,519	15
<b>Operating expenses :</b>					
6100	Selling	(20,829)	(2)	(26,843)	(2)
6200	General and administrative	(81,548)	(7)	(95,459)	(6)
6300	Research and development	(18,020)	(1)	(16,939)	(1)
		(120,397)	(10)	(139,241)	(9)
<b>Operating Gain</b>		7,331	1	91,278	6
<b>Non-operating income and gains :</b>					
7110	Interest income	2,344	-	1,117	-
7130	Gain on disposal of assets	937	-	-	-
7160	Foreign exchange gain	-	-	3,752	-
7220	Gain on valuation of financial instruments	2,811	-	-	-
7480	Others	12,659	1	20,739	1
		18,751	1	25,608	1
<b>Non-operating expenses and losses :</b>					
7510	Interest expense	(11,237)	(1)	(10,861)	(1)
7560	Foreign exchange loss	(13,626)	(1)	-	-
7521	Investment Loss Equity Method Investees	(3,111)	-	-	-
7530	Loss on Disposal of Property, Plan and	-	-	(37)	-
7640	Loss on valuation of financial instruments	-	-	(3,563)	-
7888	Others	(1,221)	-	(174)	-
		(29,195)	(2)	(14,635)	(1)
<b>Gain(Loss) before income tax</b>		(3,113)	-	102,251	6
8110	<b>Income tax expense</b>	(18,885)	(2)	(48,179)	(3)
9600	<b>Net gain(loss )</b>	<b>\$ (21,998)</b>	<b>(2)</b>	<b>54,072</b>	<b>3</b>
<b>Attributable to:</b>					
	Stockholders of the parent company	\$ (21,751)	(2)	55,219	3
	Minority interest	(247)	-	(1,147)	-
		<b>\$ (21,998)</b>	<b>(2)</b>	<b>54,072</b>	<b>3</b>
		<b>Post-tax</b>		<b>Post-tax</b>	
<b>Attributable to Stockholders of the parent company</b>					
9750	<b>Basic earnings per share (NT dollars)</b>	<b>\$</b>	<b>(0.16)</b>	<b>\$</b>	<b>0.41</b>
9850	<b>Dilute earnings per share (NT dollars)</b>			<b>\$</b>	<b>0.41</b>

**MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2012 AND 2011**  
(Expressed In Thousands Of New Taiwan Dollars)  
(Reviewed, Not Audited)

	<u>2012</u>	<u>2011</u>
<b>Cash flows from operating activities :</b>		
Consolidated net gain(loss)	\$ (21,998)	54,072
<b>Adjustments to reconcile net income to net cash provided by operating activities :</b>		
Depreciation	76,726	80,854
Amortization	4,236	6,855
Employee stock option compensatory cost	1,595	10,470
Amortization of discounts on convertible bonds payable	2,227	-
Investment loss recognized under equity Method	3,111	-
Loss(Gain) on disposal of assets	(937)	37
Expenses of fix assets transferred	118	88
Unrealized revaluation loss (gain) on financial assets and liabilities	(3,254)	8,787
Impairment loss on non-financial assets	454	0
Amortization of consolidation credits	(2,555)	(2,390)
Loss on deferred income tax	6,374	16,728
<b>Change in net operating assets and liabilities</b>		
Financial assets held for trading	6,000	-
Notes and accounts receivable	566,306	211,526
Inventories	(55,530)	(44,787)
Prepaid expenses and other current assets	(17,991)	(15,893)
Other financial assets– current	24,025	(1,603)
Notes and accounts payable	(97,024)	(130,964)
Income tax payable	(10,554)	(21,433)
Accrued expenses	(126,763)	(87,443)
Unearned receipts and other current liabilities	(90,272)	(10,538)
Accrued pension liabilities	2,132	2,162
<b>Net cash provided by operating activities</b>	<u>266,426</u>	<u>76,528</u>
<b>Cash flows from investing activities :</b>		
Purchase of property, plant and equipment	(57,532)	(47,855)
Proceeds from disposal of property, plant and equipment	121	2
Decrease(Increase) in restricted assets	19,629	(154,491)
Purchase of intangible assets	(1,619)	-
Decrease(Increase) in other financial assets – non-current	(41,068)	2,373
<b>Net cash used in investing activities</b>	<u>(80,469)</u>	<u>(199,971)</u>
<b>Cash flows from financing activities :</b>		
Increase(Decrease) in short-term loans	(284,231)	119,174
Convertible bonds payable and cost	(681)	-
Decrease in long-term loans	(48,409)	(41,925)
Decrease in guarantee deposits received	(469)	(231)
Employee stock option exercise	84	180
<b>Net cash provided by financing activities</b>	<u>(333,706)</u>	<u>77,198</u>
<b>Effect of exchange rate change on cash</b>	<u>12,566</u>	<u>1,662</u>
<b>Decrease in cash</b>	<u>(135,183)</u>	<u>(44,583)</u>
<b>Cash and cash equivalents at beginning of period</b>	<u>908,714</u>	<u>698,296</u>
<b>Cash and cash equivalents at end of period</b>	<u><u>\$ 773,531</u></u>	<u><u>653,713</u></u>
<b>Supplemental cash flow information</b>		
Interest paid	<u>\$ 11,678</u>	<u>10,711</u>
Income tax paid	<u>\$ 23,373</u>	<u>53,213</u>
<b>Supplemental information on investing and financing activities not affecting current cash flow :</b>		
Current portion of long-term loans	<u>\$ 66,442</u>	<u>156,487</u>
Payables for purchases of property, plant and equipment	<u>\$ 10,741</u>	<u>26,202</u>