

**MEGAFORCE CO., LTD.
AND ITS SUBSIDIARIES
Consolidated Financial Statements
JUNE 30, 2012 AND 2011**

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MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2012 AND 2011
(Expressed In Thousands Of New Taiwan Dollars)

		2012		2011				2012		2011	
		Amount	%	Amount	%			Amount	%	Amount	%
ASSETS											
Current assets											
1100	Cash and cash equivalents	\$	623,170	12	778,671	13	2180	Financial liabilities measured at fair value through profit or loss - current	\$	512	-
1310	Financial assets at fair value through profit or loss—current		-	-	2,024	-	2100	Short-term loans		552,682	11
1140	Notes and accounts receivable		1,628,954	32	2,203,566	36	2140	Notes and accounts payable		593,837	12
1190	Other financial assets - current		385,822	8	205,315	3	2160	Income tax payable		24,436	-
1210	Inventories		499,099	10	546,374	9	2170	Accrued expenses		368,124	7
1260	Prepayments		39,780	1	51,968	1	2216	Dividend payable		136,184	3
1286	Deferred income tax assets - current		21,159	-	31,083	1	2224	Payables on equipment		16,535	-
1298	Other current assets		23,643	-	17,771	-	2272	Long-term loans - current portion		93,438	2
	Total current assets		3,221,627	63	3,836,772	63	2260	Receipts in advance		30,427	-
							2280	Other current liabilities		37,191	1
								Total current liabilities		1,853,366	36
Funds and investments											
1480	Financial assets at cost — non-current		61,236	1	61,164	1	Long-term liabilities				
1440	Other financial assets — non-current		87,261	2	20,602	-					
	Total funds and investments		148,497	3	81,766	1					
Property, plant and equipment, net											
Cost											
1501	Land		53,474	1	53,474	1	2400	Financial liabilities at fair value through profit or loss - non-current		2,550	-
1521	Buildings		610,802	12	578,650	10	2411	Bonds payable		280,574	6
1531	Machinery and equipment		2,385,223	46	2,287,964	38	2420	Long-term loans decrease in current portion of loan-term loans		59,800	1
1551	Transportation equipment		50,658	1	54,743	1		Total long-term liabilities		342,924	7
1561	Office equipment		112,058	2	118,825	2	Other liabilities				
1681	Other equipment		481,154	9	459,755	8					
			3,693,369	71	3,553,411	60					
15X9	Less : Accumulated depreciation		(2,051,668)	(40)	(1,775,245)	(30)	2810	Accrued pension liabilities		100,411	2
1599	Less : Accumulated impairment—property, plant and equipment		(101,460)	(1)	(47,360)	(1)	2820	Guarantee deposits received		31	-
1671	Construction in progress		11,117	-	19,857	-	2881	Consolidation credits		20,686	-
1672	Prepayments for equipment		16,326	-	5,274	-		Total other liabilities		121,128	2
	Total property, plant and equipment, net		1,567,684	30	1,755,937	29		Total liabilities		2,317,418	45
Intangible assets											
1750	Computer software costs		6,625	-	13,153	-	Stockholders' equity				
1760	Goodwill		32,476	1	28,468	1					
1770	Deferred pension costs		17,208	-	18,642	-					
1782	Land use rights		45,864	1	44,111	1	Parent company's equity				
1788	Other intangible assets		16,089	-	20,372	-					
	Total intangible assets		118,262	2	124,746	2					
Other assets											
1810	Idle assets		-	-	192,317	3	3110	Common stock		1,362,111	27
1860	Deferred income tax assets - non-current		81,639	2	78,190	2	32XX	Capital reserve		1,200,488	23
	Total other assets		81,639	2	270,507	5		Retained earnings			
							3310	Legal reserve		27,556	1
							3350	Undistributed earnings		8,564	-
										36,120	1
LIABILITIES AND STOCKHOLDERS' EQUITY											
Current liabilities											
Financial liabilities measured at fair value through profit or loss - current											
Short-term loans											
Notes and accounts payable											
Income tax payable											
Accrued expenses											
Dividend payable											
Payables on equipment											
Long-term loans - current portion											
Receipts in advance											
Other current liabilities											
Total current liabilities											
Long-term liabilities											
Financial liabilities at fair value through profit or loss - non-current											
Bonds payable											
Long-term loans decrease in current portion of loan-term loans											
Total long-term liabilities											
Other liabilities											
Accrued pension liabilities											
Guarantee deposits received											
Consolidation credits											
Total other liabilities											
Total liabilities											
Stockholders' equity											
Parent company's equity											
Common stock											
Capital reserve											
Retained earnings											
Legal reserve											
Undistributed earnings											
Total parent company's equity											
Minority interest											
Total stockholders' equity											
Contingent liability and commitments											
TOTAL ASSETS											
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY											

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Expressed In Thousands Of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
Operating revenues :				
4110 Gross sales	\$ 2,392,372	101	3,301,420	101
4170 Less: sales returns and allowances	(23,752)	(1)	(22,817)	(1)
Net sales	2,368,620	100	3,278,603	100
5000 Cost of goods sold	(2,122,850)	(90)	(2,775,739)	(85)
Gross profit	245,770	10	502,864	15
6000 Operating expenses :				
6100 Selling	(43,856)	(2)	(54,094)	(2)
6200 General and administrative	(168,897)	(7)	(181,630)	(5)
6300 Research and development	(39,129)	(1)	(35,403)	(1)
	(251,882)	(10)	(271,127)	(8)
Operating gain (loss)	(6,112)	-	231,737	7
Non-operating income and gains :				
7110 Interest income	5,042	-	2,353	-
7130 Gain on disposal of property, plan and equipment	-	-	709	-
7280 Reversal of impairment loss on assets	-	-	37	-
7320 Revaluation gain on financial liabilities	1,130	-	1,796	-
7480 Others	24,404	-	29,887	1
	30,576	-	34,782	1
Non-operating expenses and losses :				
7510 Interest expense	(16,948)	(1)	(22,161)	(1)
7521 Investment loss recognized under equity method	(8,195)	-	-	-
7530 Loss on disposal of property, plan and equipment	(1,823)	-	-	-
7540 Loss on sale of investments	(7,358)	-	-	-
7560 Foreign exchange loss	(9,692)	-	(5,516)	-
7630 Impairment loss on assets	(40,529)	(2)	-	-
7888 Others	(2,162)	-	(267)	-
	(86,707)	(3)	(27,944)	(1)
Gain(Loss) before income tax	(62,243)	(3)	238,575	7
8110 Income tax expense	(41,215)	(1)	(100,705)	(3)
9600 Net gain(loss)	\$ (103,458)	(4)	137,870	4
Attributable to:				
Stockholders of the parent company	\$ (103,259)	(4)	139,742	4
Minority interest	(199)	-	(1,872)	-
	\$ (103,458)	(4)	137,870	4
	Post-tax		Post-tax	
Attributable to Stockholders of the parent company				
9750 Basic earnings per share (NT dollars)	\$ (0.76)		\$ 1.04	
9850 Diluted earnings per share (NT dollars)			\$ 1.03	

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Expressed In Thousands Of New Taiwan Dollars)

	Retained Earnings					Net loss on not recognized as pension cost	Treasury stock	Minority interests	Total shareholders' equity
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Earnings	Cumulative Translation Adjustments				
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 Reserve make up for loss	-	(145,523)	-	145,523	-	-	-	-	-
Employee stock option exercise	7,592	911	-	-	-	-	-	-	8,503
Employee stock option	-	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
Increase in minority interests	-	-	-	-	-	-	-	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
Balance at January 1, 2012	1,361,771	1,197,258	-	275,563	250,605	(4,529)	-	12,981	3,093,649
Employee stock option exercise	340	40	-	-	-	-	-	-	380
Employee stock option	-	3,190	-	-	-	-	-	-	3,190
Appropriation and distribution of retained earnings:									
Legal reserve	-		27,556	(27,556)	-	-	-	-	-
Cash dividends	-			(136,184)	-	-	-	-	(136,184)
Net loss for the six months ended June 30, 2012	-	-	-	(103,259)	-	-	-	(199)	(103,458)
Adjustment of investee foreign exchange for under the equity method	-	-	-	-	(36,612)	-	-	(221)	(36,833)
Decrease in minority interests	-	-	-	-	-	-	-	(453)	(453)
Balance at June 30, 2012	1,362,111	1,200,488	27,556	8,564	213,993	(4,529)	-	12,108	2,820,291

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(Expressed In Thousands Of New Taiwan Dollars)

	2012	2011
Cash flows from operating activities :		
Consolidated net gain(loss)	\$ (103,458)	137,870
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	151,292	159,143
Amortization	8,322	11,615
Employee stock option compensatory cost	3,190	11,024
Amortization of discounts on convertible bonds payable	4,472	-
Investment loss recognized under equity Method	8,195	-
Loss(Gain) on disposal of assets	1,823	(709)
Expenses of fix assets transferred	231	1,001
Loss on disposal of investment	7,358	-
Unrealized revaluation loss (gain) on financial assets and liabilities	(1,571)	6,938
Impairment losses on financial asset	9,247	-
Impairment loss on non-financial assets	31,282	(37)
Loss on deferred income tax	2,176	26,757
Other adjustments to reconcile net income	(5,134)	(4,662)
Change in net operating assets and liabilities		
Financial assets held for trading - current	6,000	-
Notes and accounts receivable	480,858	4,214
Inventories	(9,031)	(4,539)
Prepaid expenses and other current assets	11,002	(11,393)
Other financial assets - current	10,081	2,094
Notes and accounts payable	(84,033)	(116,517)
Income tax payable	1,143	(9,797)
Accrued expenses	(105,238)	(69,882)
Unearned receipts and other current liabilities	(98,815)	(12,733)
Accrued pension liabilities	4,267	4,321
Net cash provided by operating activities	<u>333,659</u>	<u>134,708</u>
Cash flows from investing activities :		
Increase in other financial assets	(48,974)	(140,158)
Proceeds from disposal of financial assets carried at cost -non-current	26,806	-
Acquisition of financial assets carried at cost -non-current	(26,806)	-
Purchase of property, plant and equipment	(80,907)	(155,228)
Proceeds from disposal of property, plant and equipment	35,695	740
Purchase of intangible assets	(324)	(472)
Net cash used in investing activities	<u>(94,510)</u>	<u>(295,118)</u>
Cash flows from financing activities :		
Increase(Decrease) in short-term loans	(485,389)	358,210
Decrease in shorten-term notes and bills payable	-	(30,000)
Proceeds from issuance of bonds	(1,362)	-
Proceeds from long-term debt	74,750	-
Repayments of long-term debt	(117,571)	(82,355)
Decrease in guarantee deposits received	(453)	(229)
Exercise of employee stock option	380	8,503
Changes in minority interest	(5,956)	(9,599)
Net cash provided by financing activities	<u>(535,601)</u>	<u>244,530</u>
Effect of exchange rate change on cash	<u>10,908</u>	<u>(3,745)</u>
Net increase (decrease) in cash and cash equivalents	<u>(285,544)</u>	<u>80,375</u>
Cash and cash equivalents at beginning of period	<u>908,714</u>	<u>698,296</u>
Cash and cash equivalents at end of period	<u>\$ 623,170</u>	<u>778,671</u>
Supplemental cash flow information		
Interest paid	<u>\$ 13,575</u>	<u>31,337</u>
Income tax paid	<u>\$ 38,237</u>	<u>83,778</u>
Non-cash investing and financing activities		
Long-term investments under equity method reclassified as financial assets carried at cost	<u>\$ 16,677</u>	<u>-</u>
Current portion of long-term loans	<u>\$ 93,438</u>	<u>213,815</u>
Cash dividends payable	<u>\$ 136,184</u>	<u>-</u>
Payables for purchases of equipment	<u>\$ 16,535</u>	<u>27,456</u>