

**MEGAFORCE CO., LTD.
AND ITS SUBSIDIARIES**

**Consolidated Financial Statements for the
Nine Months Ended September 30, 2012 and 2011
Independent Accountants' Review Report**

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MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2012 AND 2011
(Expressed In Thousands Of New Taiwan Dollars)
(Reviewed, Not Audited)

		2012		2011				2012		2011	
		Amount	%	Amount	%			Amount	%	Amount	%
ASSETS						LIABILITIES AND STOCKHOLDERS' EQUITY					
Current assets						Current liabilities					
1100	Cash and cash equivalents	\$ 602,781	12	765,222	12	2180	Financial liabilities measured at fair value through profit or loss-current	\$ 2,670	-	10,160	-
1310	Financial assets at fair value through profit or loss-current	2,214	-	-	-	2100	Short-term loans	688,472	13	963,914	16
1140	Notes and accounts receivable	1,779,999	34	2,154,387	35	2140	Notes and accounts payable	667,362	13	888,149	14
1190	Other financial assets-current	393,280	8	278,316	4	2160	Income tax payable	17,711	-	42,699	1
1210	Inventories	547,539	10	602,390	10	2170	Accrued expenses	397,288	8	460,882	8
1260	Prepayments	40,428	1	49,646	1	2224	Payables on equipment	48,591	1	18,874	-
1275	Non-current assets classified as held for sale	-	-	192,886	3	2271	Bonds payable-current portion or exercise sell back	282,837	5	-	-
1286	Deferred income tax assets-current	20,718	-	32,575	1	2272	Long-term loans-current portion	121,770	2	153,969	3
1298	Other current assets	21,501	-	21,887	-	2260	Receipts in advance	50,781	1	23,310	-
Total current assets		3,408,460	65	4,097,309	66	2280	Other current liabilities	43,081	1	77,710	1
						Total current liabilities		2,320,563	44	2,639,667	43
Funds and investments						Long-term liabilities					
1421	Long-term investments at equity	-	-	25,910	-	2400	Financial liabilities at fair value through profit or loss -non-current	-	-	990	-
1480	Financial assets at cost-non-current	61,236	1	61,164	2	2411	Bonds payable	-	-	273,893	4
1440	Other financial assets-non-current	58,610	1	20,740	-	2420	Long-term loans decrease in current portion of long-term loans	76,289	2	222,880	4
Total funds and investments		119,846	2	107,814	2	Total long-term liabilities		76,289	2	497,763	8
Property, plant and equipment, net						Other liabilities					
Cost						2810	Accrued pension liabilities	102,550	2	95,413	2
1501	Land	53,474	1	53,474	1	2820	Guarantee deposits received	381	-	119	-
1521	Buildings and structures	604,124	12	621,804	10	2881	Consolidation credits	18,107	-	26,883	-
1531	Machinery and equipment	2,411,470	46	2,475,896	40	Total other liabilities		121,038	2	122,415	2
1551	Transportation equipment	48,639	1	58,573	1	Total liabilities		2,517,890	48	3,259,845	53
1561	Office equipment	110,274	2	126,357	2	Stockholders' equity					
1681	Other equipment	458,333	8	492,969	8	Parent company's equity					
		3,686,314	70	3,829,073	62	3110	Common stock	1,362,111	26	1,361,201	22
15X9	Less : Accumulated depreciation	(2,067,406)	(39)	(1,972,388)	(32)	32XX	Capital surplus	1,202,083	23	1,199,532	19
1599	Less : Accumulated impairment on property, plant and equipment	(99,621)	(2)	(50,963)	(1)	Retained earnings					
1671	Construction in process	11,225	-	7,449	-	3310	Legal reserve	27,556	1	-	-
1672	Prepayments for equipment	10,783	-	14,238	-	3350	Unappropriated retained earnings(deficits not yet compensated)	(29,790)	(1)	144,794	2
Total property, plant and equipment, net		1,541,295	29	1,827,409	29			(2,234)	-	144,794	2
Intangible assets						3420	Other stockholders' equity				
1750	Computer software costs	5,152	-	11,366	-	3430	Cumulative translation adjustments	185,493	3	232,930	4
1760	Goodwill	32,476	1	30,152	1	Net loss on not recognized as pension cost		(4,529)	-	(4,520)	-
1770	Deferred pension costs	17,208	-	18,642	-			180,964	3	228,410	-
1782	Land use rights	45,121	1	47,284	1	3610	Total parent company's equity	2,742,924	52	2,933,937	47
1788	Other intangible assets	14,302	-	19,918	-	Minority interest		12,246	-	13,593	-
Total intangible assets		114,259	2	127,362	2	Total stockholders' equity		2,755,170	52	2,947,530	47
Other assets						Contingent liability and commitments					
1810	Idle assets	-	-	464	-	TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		\$ 5,273,060	100	6,207,375	100
1860	Deferred income tax assets-non-current	89,200	2	47,017	1						
Total other assets		89,200	2	47,481	1						
TOTAL ASSETS		\$ 5,273,060	100	6,207,375	100						

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF INCOME
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(Expressed In Thousands Of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

		2012		2011	
		Amount	%	Amount	%
Operating revenues :					
4110	Gross sales	\$ 3,699,860	101	4,939,090	101
4170	Less: sales returns and allowances	(52,521)	(1)	(31,307)	(1)
Net sales		3,647,339	100	4,907,783	100
5000	Cost of goods sold	(3,296,331)	(90)	(4,231,580)	(86)
Gross profit		351,008	10	676,203	14
Operating expenses :					
6100	Selling	(66,755)	(2)	(80,133)	(2)
6200	General and administrative	(259,638)	(7)	(269,561)	(5)
6300	Research and development	(64,488)	(2)	(54,964)	(1)
		(390,881)	(11)	(404,658)	(8)
Operating gain (loss)		(39,873)	-	271,545	6
Non-operating income and gains :					
7110	Interest income	7,213	-	3,760	-
7130	Gain on disposal of property, plan and equipment	-	-	182	-
7160	Foreign exchange gain	-	-	28,011	-
7280	Reversal of impairment loss on assets	-	-	1,639	-
7320	Revaluation gain on financial instruments	3,726	-	-	-
7480	Others	35,945	1	38,874	1
		46,884	1	72,466	1
Non-operating expenses and losses :					
7510	Interest expense	(23,552)	(1)	(34,114)	(1)
7521	Investment loss recognized under equity method	(8,195)	-	-	-
7530	Loss on disposal of property, plan and equipment	(2,556)	-	-	-
7540	Loss on sale of investments	(7,358)	-	-	-
7560	Foreign exchange loss	(18,781)	(1)	-	-
7630	Impairment loss on assets	(40,529)	(1)	-	-
7640	Revaluation loss of financial instruments	-	-	(11,079)	-
7888	Others	(2,727)	-	(997)	-
		(103,698)	(3)	(46,190)	(1)
Gain(Loss) before income tax		(96,687)	(3)	297,821	6
8110	Income tax expense	(44,835)	(1)	(130,473)	(3)
9600	Net gain(loss)	\$ (141,522)	(4)	167,348	3
Attributable to:					
	Stockholders of the parent company	\$ (141,613)	(4)	169,958	3
	Minority interest	91	-	(2,610)	-
		\$ (141,522)	(4)	167,348	3
		Post-tax		Post-tax	
Attributable to Stockholders of the parent company					
9750	Basic earnings per share (NT dollars)	\$	(1.04)	\$	1.26
9850	Diluted earnings per share (NT dollars)			\$	1.24

MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012 AND 2011
(Expressed In Thousands Of New Taiwan Dollars)
(Reviewed, Not Audited)

	2012	2011
Cash flows from operating activities :		
Consolidated net gain(loss)	\$ (141,522)	167,348
Adjustments to reconcile net income to net cash provided by operating activities :		
Depreciation	221,861	241,488
Amortization	12,017	15,682
Employee stock option compensatory cost	4,785	12,683
Amortization of discounts on convertible bonds payable	6,735	1,620
Investment loss recognized under equity Method	8,195	-
Loss(Gain) on disposal of assets	2,556	(182)
Expenses of fix assets transferred	295	1,424
Loss on disposal of investment	7,358	-
Unrealized revaluation loss (gain) on financial assets and liabilities	(4,176)	18,528
Impairment loss on financial asset	9,247	-
Impairment loss on non-financial assets	31,282	(1,639)
Amortization of consolidation credits	(7,713)	(6,993)
Loss(Gain) on deferred income tax	(6,071)	32,270
Change in net operating assets and liabilities		
Financial assets held for trading - current	6,000	-
Notes and accounts receivable	312,389	203,712
Other financial assets-current	31,560	(4,773)
Inventories	(62,161)	(24,719)
Prepaid expenses and other current assets	11,756	(9,471)
Notes and accounts payable	(5,459)	(126,971)
Income tax payable	(5,511)	(33,893)
Accrued expenses	(72,242)	(41,731)
Unearned receipts and other current liabilities	(70,445)	(2,422)
Accrued pension liabilities	6,406	6,480
Net cash provided by operating activities	<u>297,142</u>	<u>448,441</u>
Cash flows from investing activities :		
Increase in other financial assets	(49,664)	(201,907)
Proceeds from disposal of financial assets carried at cost -non-current	26,806	-
Acquisition of financial assets carried at cost-non-current	(26,806)	-
Increase in long-term investments at equity	-	(25,910)
Purchase of property, plant and equipment	(109,850)	(200,070)
Proceeds from disposal of property, plant and equipment	34,679	1,187
Purchase of intangible assets	(511)	(475)
Receipts in advance of assets for sale-non-current	-	10,000
Net cash used in investing activities	<u>(125,346)</u>	<u>(417,175)</u>
Cash flows from financing activities :		
Decrease in short-term loans	(348,721)	(100,088)
Decrease in shorten-term notes and bills payable	-	(30,000)
Proceeds from issuance of bonds	(2,046)	294,171
Proceeds from long-term debt	74,750	-
Repayments of long-term debt	(72,750)	(166,989)
Decrease in guarantee deposits received	(103)	(247)
Cash dividends paid	(136,184)	-
Exercise of employee stock option	380	16,153
Changes in minority interest	(5,956)	(9,599)
Net cash provided by financing activities	<u>(490,630)</u>	<u>3,401</u>
Effect of exchange rate change on cash	<u>12,901</u>	<u>32,259</u>
Net increase (decrease) in cash and cash equivalents	<u>(305,933)</u>	<u>66,926</u>
Cash and cash equivalents, beginning of period	<u>908,714</u>	<u>698,296</u>
Cash and cash equivalents, end of period	<u><u>\$ 602,781</u></u>	<u><u>765,222</u></u>
Supplemental cash flow information		
Interest paid	<u>\$ 17,275</u>	<u>31,348</u>
Income tax paid	<u>\$ 56,829</u>	<u>129,930</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>\$ 121,770</u>	<u>153,969</u>
Current portion of bonds payable	<u>\$ 282,837</u>	<u>-</u>
Idle assets transferred to non-current assets classified as held for sale	<u>-</u>	<u>192,886</u>
Balance payable - machinery and equipment	<u>\$ 48,591</u>	<u>18,874</u>