

**MEGAFORCE CO., LTD.  
AND ITS SUBSIDIARIES  
Consolidated Financial Statements  
DECEMBER 31, 2012 AND 2011**

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**MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 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	\$ 737,526	14	\$ 908,714	14	2180	Financial liabilities at fair value through profit or loss - current	\$ 2,100	-	\$ 2,172	-
1310	Financial assets at fair value through profit or loss – current	93	-	6,000	-	2100	Short-term loans	730,502	14	1,045,617	17
1140	Notes and accounts receivable	1,702,091	33	2,149,414	35	2140	Notes and accounts payable	629,182	12	752,716	12
1190	Other financial assets – current	276,496	5	405,057	7	2160	Income tax payable	15,134	-	23,634	-
1210	Inventories	513,982	10	495,789	8	2170	Accrued expenses	412,582	8	480,874	8
1260	Prepayments	30,058	1	43,010	1	2224	Payables on equipment	140,252	3	52,904	1
1286	Deferred income tax assets - current	30,118	1	37,955	1	2271	Bonds payable– current portion	285,119	5	-	-
1298	Other current assets	21,365	-	32,660	-	2272	Long-term loans - current portion	113,630	2	146,881	3
	Total current assets	3,311,729	64	4,078,599	66	2260	Receipts in advance	28,174	1	20,870	-
Funds and investments											
1421	Long-term investments at equity	-	-	24,872	-	2298	Other current liabilities	47,832	1	84,811	1
1481	Financial assets at cost — non-current	67,404	1	61,164	1		Total current liabilities	2,404,507	46	2,610,479	42
1440	Other financial assets — non-current	56,385	1	25,570	-	Long-term liabilities					
	Total funds and investments	123,789	2	111,606	1	2400	Financial liabilities at fair value through profit or loss - non-current	-	-	2,460	-
Property, plant and equipment											
Cost											
1501	Land	53,474	1	53,474	2	2411	Bonds payable	-	-	276,102	5
1521	Buildings	605,636	12	623,450	10	2420	Long-term loans decrease in current portion of long-term loans	50,988	1	51,493	1
1531	Machinery and equipment	2,453,649	47	2,495,855	40		Total long-term liabilities	50,988	1	330,055	6
1551	Transportation equipment	48,704	1	51,948	1	Other liabilities					
1561	Office equipment	110,414	2	117,280	2	2810	Accrued pension liabilities	107,390	2	96,144	2
1681	Other equipment	447,525	9	495,311	8	2861	Deferred Income Tax Liabilities	-	-	11,352	-
		3,719,402	72	3,837,318	63	2880	Other Liabilities	15,909	-	24,759	-
15X9	Less : Accumulated depreciation	(2,079,324)	(40)	(2,003,768)	(32)		Total other liabilities	123,299	2	132,255	2
1599	Less : Accumulated impairment—property, plant and equipment	(93,374)	(2)	(87,331)	(1)		Total liabilities	2,578,794	49	3,072,789	50
1671	Construction in progress	549	-	11,484	-	Stockholders' equity					
1672	Prepayments for equipment	26,607	-	16,086	-		Parent company's equity				
	Total property, plant and equipment, net	1,573,860	30	1,773,789	30	3110	Common stock	1,362,141	26	1,361,771	22
Intangible assets											
1770	Deferred pension costs	15,774	-	17,208	-	32XX	Capital reserves	1,203,679	24	1,197,258	20
1750	Computer software costs	4,450	-	9,282	-	Retained earnings(Accumulated profit and loss)					
1760	Goodwill	32,476	1	29,939	1	3310	Legal reserve	27,556	-	-	-
1780	Other intangible assets	12,514	-	18,129	-	3350	Unappropriated earnings (deficits not yet compensated)	(73,003)	(1)	275,563	4
1782	Land use rights	44,882	1	47,055	1			(45,447)	(1)	275,563	4
	Total intangible assets	110,096	2	121,613	2	Other stockholders' equity					
Other assets											
1810	Idle assets	-	-	465	-	3420	Cumulative translation adjustments	188,687	4	250,605	4
1860	Deferred income tax assets - non-current	82,671	2	80,366	1	3430	Not recognized as loss of pension cost	(8,662)	-	(4,529)	-
	Total other assets	82,671	2	80,831	1	3480	Treasury stock	(89,772)	(2)	-	-
TOTAL ASSETS											
		\$ 5,202,145	100	\$ 6,166,438	100		Total parent company's equity	2,610,626	51	3,080,668	50
LIABILITIES AND STOCKHOLDERS' EQUITY											
Current liabilities											
Long-term liabilities											
Other liabilities											
Stockholders' equity											
Retained earnings(Accumulated profit and loss)											
Other stockholders' equity											
Total parent company's equity											
Total stockholders' equity											
		\$ 5,202,145	100	\$ 6,166,438	100		Total stockholders' equity	2,623,351	51	3,093,649	50
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY											
		\$ 5,202,145	100	\$ 6,166,438	100						

**MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**  
(Expressed In Thousands Of New Taiwan Dollars, Except Earnings Per Share)

	2012		2011	
	Amount	%	Amount	%
<b>Operating revenues :</b>				
4110 Gross sales	\$ 4,979,870	101	\$ 6,470,753	101
4170 Less: sales returns and allowances	(51,398)	(1)	(56,013)	(1)
<b>Net sales</b>	4,928,472	100	6,414,740	100
5000 <b>Operating costs</b>	(4,471,558)	(91)	(5,544,881)	(86)
<b>Gross profit</b>	456,914	9	869,859	14
6000 <b>Operating expenses :</b>				
6100 Selling	(88,580)	(2)	(105,053)	(2)
6200 General and administrative	(348,003)	(6)	(380,582)	(6)
6300 Research and development	(89,679)	(2)	(74,987)	(1)
	(526,262)	(10)	(560,622)	(9)
<b>Operating gain (loss)</b>	(69,348)	(1)	309,237	5
<b>Non-operating income and gains :</b>				
7110 Interest income	9,649	-	5,143	-
7130 Gain on disposal of assets	-	-	147,009	2
7160 Foreign exchange gain	-	-	17,027	-
7310 Revaluation gain on financial products	5,236	-	-	-
7480 Others	44,128	1	57,395	1
	59,013	1	226,574	3
<b>Non-operating expenses and losses :</b>				
7510 Interest expense	(29,736)	(1)	(46,044)	(1)
7521 Investment loss equity method investees	(8,195)	-	(1,038)	-
7530 Loss on disposal of property, plan and equipment	(5,177)	-	-	-
7540 Loss on sale of investments	(7,358)	-	-	-
7560 Foreign exchange loss	(19,596)	(1)	-	-
7630 Impairment loss on assets	(40,529)	(1)	(34,465)	-
7640 Revaluation loss on financial products	-	-	(12,778)	-
7888 Others	(4,276)	-	(2,396)	-
	(114,867)	(3)	(96,721)	(1)
<b>Gain (Loss) before income tax</b>	(125,202)	(3)	439,090	7
8110 <b>Income tax expense</b>	(59,071)	(1)	(141,612)	(2)
9600 <b>Net gain ( loss )</b>	<b>\$ (184,273) (4)</b>		<b>\$ 297,478 5</b>	
<b>Attributable to:</b>				
Stockholders of the parent company	\$ (184,826)	(4)	\$ 300,727	5
Minority interest	553	-	(3,249)	-
	<b>\$ (184,273) (4)</b>		<b>\$ 297,478 5</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>\$ (1.36)</b>		<b>\$ 2.22</b>	
9850 <b>Diluted earnings per share (NT dollars)</b>	<b>-</b>		<b>\$ 2.13</b>	

**MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**  
(Expressed In Thousands Of New Taiwan Dollars)

	2012	2011
<b>Cash flows from operating activities :</b>		
Consolidated net income (loss)	\$ (184,273)	\$ 297,478
<b>Adjustments to reconcile net income to net cash provided by operating activities :</b>		
Depreciation	293,320	320,226
Amortization	15,303	19,658
Employee stock option compensation cost	6,380	14,344
Amortization of discounts on convertible bonds payable	9,016	3,829
Investment loss recognized under equity method	8,195	1,038
Loss (Gain) on disposal of assets	5,177	(147,009)
Expenses of fix assets transferred	321	1,614
Loss on disposal of long-term investments	7,358	-
Unrealized revaluation loss (gain) on financial products	(2,625)	12,033
Impairment loss on non-financial assets	40,529	34,465
Loss (Gain) on deferred income tax	(8,818)	16,458
Amortization of consolidation credits	(10,318)	(9,408)
<b>Changes in operating assets and liabilities</b>		
Financial assets held for trading	6,000	(6,000)
Notes and accounts receivable	392,685	211,473
Inventories	(27,955)	82,430
Prepaid expenses and other current assets	22,332	(13,540)
Other financial assets– current	30,475	(27,833)
Notes and accounts payable	(105,235)	(263,668)
Income tax payable	(8,098)	(53,030)
Accrued expenses	(60,573)	(21,579)
Receipts in advance and other current liabilities	(28,143)	22,100
Accrued pension liabilities	8,547	8,637
<b>Net cash provided by operating activities</b>	<u>409,600</u>	<u>503,716</u>
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets carried at cost	(32,974)	-
Proceeds from disposal of financial assets carried at cost	26,806	-
Acquisition of long-term investments under equity method	-	(25,910)
Purchase of property, plant and equipment	(137,054)	(233,373)
Proceeds from disposal of property, plant and equipment	48,353	343,176
Purchase of intangible assets	(511)	(475)
Decrease (Increase) in other financial assets – non-current	70,521	(310,497)
<b>Net cash used in investing activities</b>	<u>(24,859)</u>	<u>(227,079)</u>
<b>Cash flows from financing activities :</b>		
Decrease in short-term loans	(306,826)	(18,757)
Decrease in short-term notes and bills payable	-	(30,000)
Convertible bonds payable	(2,730)	293,415
Increase in long-term loans	131,112	45,435
Decrease in long-term loans	(162,552)	(389,995)
Increase(Decrease) in other liabilities	(102)	116
Cash dividends paid	(136,184)	-
Exercise of employee stock option	411	16,791
Purchase of treasury stock	(84,903)	-
Decrease in minority interest	(5,956)	(8,627)
<b>Net cash used in financing activities</b>	<u>(567,730)</u>	<u>(91,622)</u>
<b>Effect of exchange rate changes on cash</b>	<u>11,801</u>	<u>25,403</u>
<b>Net increase(decrease) in cash and cash equivalents</b>	<u>(171,188)</u>	<u>210,418</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><b>\$ 737,526</b></u>	<u><b>\$ 908,714</b></u>
<b>Supplemental disclosure of cash flow information</b>		
Interest paid	<u><b>\$ 21,372</b></u>	<u><b>\$ 45,972</b></u>
Income tax paid	<u><b>\$ 76,390</b></u>	<u><b>\$ 173,831</b></u>
<b>Non-cash investing and financing activities</b>		
Current portion of long-term loans	<u><b>\$ 113,630</b></u>	<u><b>\$ 146,881</b></u>
Current portion of bonds payable	<u><b>\$ 285,119</b></u>	<u><b>\$ -</b></u>
Long-term investments under equity method reclassified as financial assets carried at cost	<u><b>\$ 16,677</b></u>	<u><b>\$ -</b></u>
Payables for purchases of property, plant and equipment	<u><b>\$ 140,252</b></u>	<u><b>\$ 52,904</b></u>
Payables for purchases of treasury stock	<u><b>\$ 4,869</b></u>	<u><b>\$ -</b></u>

**MEGAFORCE CO., LTD. AND ITS SUBSIDIARIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011**  
**(Expressed In Thousands Of New Taiwan Dollars)**

	Common Stock	Capital Surplus	Legal Reserve	Retained Earnings (Cumulative Deficits) Unappropriated Earnings (Deficits Not Yet Compensated)	Cumulative Translation Adjustments	Net Loss Not Recognized As Pension Cost	Treasury Stock	Minority Interests	Total Shareholder's Equity
<b>Balance at January 1, 2011</b>	<b>1,366,779</b>	<b>1,336,663</b>	-	<b>(145,523)</b>	<b>56,977</b>	<b>(4,520)</b>	<b>(64,999)</b>	<b>12,169</b>	<b>2,557,546</b>
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 compensation 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	-	-
Consolidated net gain for 2011	-	-	-	300,727	-	-	-	(3,249)	297,478
Adjustment of investee foreign exchange for under the equity method	-	-	-	-	193,628	-	-	1,040	194,668
Effect on (long-term) equity investment not recognized by shareholding percentage	-	(4,003)	-	-	-	-	-	-	(4,003)
Net loss not recognized as pension cost	-	-	-	-	-	(9)	-	-	(9)
Changes in minority interests	-	-	-	-	-	-	-	3,021	3,021
<b>Balance at December 31, 2011</b>	<b>1,361,771</b>	<b>1,197,258</b>	-	<b>275,563</b>	<b>250,605</b>	<b>(4,529)</b>	-	<b>12,981</b>	<b>3,093,649</b>
Exercise of employee stock options	370	41	-	-	-	-	-	-	411
Employee stock option compensation cost	-	6,380	-	-	-	-	-	-	6,380
Appropriation and distribution of retained earnings:									
Legal reserve appropriated	-	-	27,556	(27,556)	-	-	-	-	-
Cash dividends of common stock	-	-	-	(136,184)	-	-	-	-	(136,184)
Purchase of treasury stock	-	-	-	-	-	-	(89,772)	-	(89,772)
Consolidated net loss for 2012	-	-	-	(184,826)	-	-	-	553	(184,273)
Net loss not recognized as pension cost	-	-	-	-	-	(4,133)	-	-	(4,133)
Changes in minority interests	-	-	-	-	-	-	-	(453)	(453)
Adjustment of investee foreign exchange for under the equity method	-	-	-	-	(61,918)	-	-	(356)	(62,274)
<b>Balance at December 31, 2012</b>	<b>1,362,141</b>	<b>1,203,679</b>	<b>27,556</b>	<b>(73,003)</b>	<b>188,687</b>	<b>(8,662)</b>	<b>(89,772)</b>	<b>12,725</b>	<b>2,623,351</b>