

**MEGAFORCE CO., LTD.
AND SUBSIDIARIES**
**Consolidated Financial Statements for the
Six Months Ended June 30, 2013 and 2012
(Reviewed , Not Audited)**

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MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Expressed in Thousands of New Taiwan Dollars)

ASSETS		2013.6.30		2012.12.31		2012.6.30		2012.1.1		LIABILITIES AND STOCKHOLDERS' EQUITY		2013.6.30		2012.12.31		2012.6.30		2012.1.1									
		Amount	%	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	Amount	%								
Current assets																											
1100	Cash and cash equivalents	\$	771,966	14	\$	737,526	14	\$	623,170	12	\$	908,714	15	2100	Short-term borrowings	\$	987,549	18	\$	730,502	14	\$	552,682	11	\$	1,045,617	17
1110	Financial assets at fair value through profit or loss - current		2,951	-		93	-		-	-		6,000	-	2120	Financial liabilities at fair value through profit or loss -current		295	-		2,100	-		512	-		2,172	-
1170	Notes and accounts receivable, net		1,735,761	32		1,702,091	33		1,628,954	32		2,149,414	35	2170	Notes and accounts payable		617,541	12		629,182	12		593,837	12		752,716	12
1310	Inventories		595,163	11		513,982	10		499,099	10		495,789	8	2200	Other payables		487,628	9		575,321	11		544,091	11		557,113	9
1476	Other financial assets - current		432,949	8		276,496	5		385,822	7		405,057	7	2230	Current tax liabilities		27,476	1		15,134	-		24,436	-		23,634	1
1479	Other current assets		45,120	1		51,423	1		63,423	1		75,670	-	2399	Other current liabilities		67,566	1		76,006	2		67,618	1		105,681	2
Total current assets			3,583,910	66		3,281,611	63		3,200,468	62		4,040,644	65	2321	Bonds payable, current portion or exercise sell back		289,737	5		285,119	6		-	-		-	-
Non-current assets																											
1523	Available-for-sale financial assets - non-current		50,058	1		49,056	1		69,250	1		61,164	1	2322	Long-term borrowings, current portion		69,276	1		113,630	2		93,438	1		146,881	2
Total current liabilities			2,547,068	47		2,426,994	47		1,876,614	36		2,633,814	43														
Non-current liabilities																											
1550	Investments accounted for using equity method		-	-		-	-		-	-		24,872	-	2500	Financial liabilities at fair value through profit or loss -non-current		-	-		-	-		2,550	-		2,460	-
1600	Property, plant and equipment		1,502,729	28		1,567,592	30		1,556,132	30		1,760,752	29	2530	Bonds payable		-	-		-	-		280,574	6		276,102	4
1780	Intangible assets		43,826	1		49,440	1		55,190	1		59,887	1	2540	Long-term borrowings		18,072	-		50,988	1		59,800	1		51,493	1
1980	Other financial assets - non-current		31,199	-		56,385	1		87,261	2		25,570	-	2640	Accrued pension liabilities		156,275	3		154,104	3		144,733	3		142,141	2
1990	Other non-current assets		192,533	4		178,797	4		181,487	4		215,428	4	2670	Other non-current liabilities		460	-		600	-		9,308	-		35,395	1
Total non-current assets			1,820,345	34		1,901,270	37		1,949,320	38		2,147,673	35	Total non-current liabilities			174,807	3		205,692	4		496,965	10		507,591	8
														Total liabilities			2,721,875	50		2,632,686	51		2,373,579	46		3,141,405	51
Equity attributable to owners of parent																											
3100	Capital stock		1,290,371	24		1,362,141	26		1,362,111	27		1,361,771	22														
3200	Capital surplus		1,138,892	21		1,199,552	23		1,196,361	23		1,193,131	19														
3300	Retained earnings (accumulated deficit)		(33,727)	-		(99,363)	(2)		(9,617)	-		225,954	4														
3400	Other equity interest		272,318	5		164,956	4		215,249	4		253,142	4														
3500	Treasury shares		-	-		(89,772)	(2)		-	-		-	-	Total equity attributable to owners of parent			2,667,854	50		2,537,514	49		2,764,104	54		3,033,998	49
Non-controlling interests																											
36XX			14,526	-		12,681	-		12,105	-		12,914	-														
Total equity			2,682,380	50		2,550,195	49		2,776,209	54		3,046,912	49														
TOTAL ASSETS			\$5,404,255	100		\$5,182,881	100		\$5,149,788	100		\$6,188,317	100	TOTAL LIABILITIES AND EQUITY			\$5,404,255	100		\$5,182,881	100		\$5,149,788	100		\$6,188,317	100

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	Three Months Ended June 30				Six Months Ended June 30			
	2013		2012		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	\$ 1,326,836	100	1,243,259	100	\$ 2,490,169	100	2,368,620	100
5000 Operating costs	1,177,989	89	1,157,111	93	2,207,937	89	2,154,097	91
Gross profit from operations	148,847	11	86,148	7	282,232	11	214,523	9
Operating expenses :								
6100 Selling expenses	25,318	2	23,092	2	48,700	2	44,010	2
6200 Administrative expenses	72,552	5	86,259	7	138,836	5	167,233	7
6300 Research and development expenses	23,200	2	21,162	2	46,092	2	39,118	2
Total operating expenses	121,070	9	130,513	11	233,628	9	250,361	11
Net operating income (loss)	27,777	2	(44,365)	(4)	48,604	2	(35,838)	(2)
Non-operating income and expenses :								
7101 Interest income	3,009	-	2,698	-	6,926	-	5,042	-
7020 Other gains and losses	6,274	-	(3,741)	-	12,123	-	(2,737)	-
7510 Finance costs	(6,275)	-	(5,711)	-	(12,735)	-	(16,948)	-
7060 Share of loss of associates and joint ventures accounted for using equity method, net	-	-	(5,084)	-	-	-	(8,195)	-
	3,008	-	(11,838)	-	6,314	-	(22,838)	-
7900 Profit (loss) before tax	30,785	2	(56,203)	(4)	54,918	2	(58,676)	(2)
7950 Tax expense	(20,001)	(1)	(21,882)	(2)	(33,521)	(1)	(40,877)	(2)
8200 Profit (loss)	10,784	1	(78,085)	(6)	21,397	1	(99,553)	(4)
Other comprehensive income :								
8310 Other comprehensive income, before tax, exchange differences on translation	43,327	3	19,164	1	106,995	4	(40,468)	(2)
8325 Other comprehensive income, before tax, available-for-sale financial assets	856	-	(5,339)	-	1,003	-	2,414	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
8300 Other comprehensive income, net	44,183	3	13,825	1	107,998	4	(38,054)	(2)
8500 Total comprehensive income	<u>\$ 54,967</u>	<u>4</u>	<u>(64,260)</u>	<u>(5)</u>	<u>\$ 129,395</u>	<u>5</u>	<u>(137,607)</u>	<u>(6)</u>
Profit (loss), attributable to :								
8610 Owners of parent	10,200	1	(78,129)	(6)	20,188	1	(99,355)	(4)
8620 Non-controlling interests	584	-	44	-	1,209	-	(198)	-
	<u>\$ 10,784</u>	<u>1</u>	<u>(78,085)</u>	<u>(6)</u>	<u>\$ 21,397</u>	<u>1</u>	<u>(99,553)</u>	<u>(4)</u>
Comprehensive income attributable to :								
8710 Owners of parent	54,118	4	(64,394)	(5)	127,550	5	(137,248)	(6)
8720 Non-controlling interests	849	-	134	-	1,845	-	(359)	-
	<u>\$ 54,967</u>	<u>4</u>	<u>(64,260)</u>	<u>(5)</u>	<u>\$ 129,395</u>	<u>5</u>	<u>(137,607)</u>	<u>(6)</u>
Earnings per share (expressed in dollars) :								
9710 Basic earnings (loss) per share	<u>\$ 0.08</u>		<u>(0.57)</u>		<u>\$ 0.16</u>		<u>(0.73)</u>	
9810 Diluted earnings per share	<u>\$ 0.08</u>		<u>(0.57)</u>		<u>\$ 0.16</u>		<u>(0.73)</u>	

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Expressed in Thousands of New Taiwan Dollars)

	Equity Attributable to Owners of Parent											
	Retained Earnings (Accumulated Deficit)					Other Equity Interest			Treasury Stock	Total Equity Attributable to Owners of Parent	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated Retained Earnings	Total	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total				
Balance, January 1, 2012	\$ 1,361,771	1,193,131	.	225,954	225,954	253,142		253,142	.	3,033,998	12,914	3,046,912
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	27,556	(27,556)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(136,184)	(136,184)	-	-	-	-	(136,184)	-	(136,184)
Net loss	-	-	-	(99,355)	(99,355)	-	-	-	-	(99,355)	(198)	(99,553)
Other comprehensive income	-	-	-	-	-	(40,307)	2,414	(37,893)	-	(37,893)	(161)	(38,054)
Total comprehensive income	-	-	-	(99,355)	(99,355)	(40,307)	2,414	(37,893)	-	(137,248)	(359)	(137,607)
Compensation cost arising from employee stock options	-	3190	-	-	-	-	-	-	-	3,190	-	3,190
Exercise of employee stock options	340	40	-	-	-	-	-	-	-	380	-	380
Changes in non-controlling interests	-	-	-	(32)	(32)	-	-	-	-	(32)	(450)	(482)
Balance, June 30, 2012	\$ 1,362,111	1,196,361	27,556	(37,173)	(9,617)	212,835	2,414	215,249	-	2,764,104	12,105	2,776,209
Balance, January 1, 2013	\$ 1,362,141	1,199,552	27,556	(126,919)	(99,363)	188,904	(23,948)	164,956	(89,772)	2,537,514	12,681	2,550,195
Legal reserve used to offset accumulated deficits	-	-	(27,556)	27,556	-	-	-	-	-	-	-	-
Capital surplus used to offset accumulated deficits	-	(45,448)	-	45,448	45,448	-	-	-	-	-	-	-
Net income	-	-	-	20,188	20,188	-	-	-	-	20,188	1,209	21,397
Other comprehensive income	-	-	-	-	-	106,359	1,003	107,362	-	107,362	636	107,998
Total comprehensive income	-	-	-	20,188	20,188	106,359	1,003	107,362	-	127,550	1,845	129,395
Compensation cost arising from employee stock options	-	2,790	-	-	-	-	-	-	-	2,790	-	2,790
Retirement of treasury share	(71,770)	(18,002)	-	-	-	-	-	-	89,772	-	-	-
Balance, June 30, 2013	\$ 1,290,371	1,138,892	-	(33,727)	(33,727)	295,263	(22,945)	272,318	-	2,667,854	14,526	2,682,380

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Expressed in Thousands of New Taiwan Dollars)

	Six Months Ended June 30	
	2013	2012
Cash flows from (used in) operating activities :		
Profit (loss) before tax	\$ 54,918	(58,676)
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	133,490	151,291
Amortization expense	6,305	8,322
Interest expense	12,735	16,948
Interest income	(6,926)	(5,042)
Share-based payments	2,790	3,190
Share of loss of associates accounted for using equity method	-	8,195
Net gain on financial assets or liabilities at fair value through profit or loss	(1,816)	(7,171)
Loss on disposal of property, plan and equipment	5,650	1,823
Loss on disposal of investments	-	7,358
Property, plan and equipment transferred to expenses	608	232
Impairment loss on non-financial assets	-	40,529
Total adjustments to reconcile profit (loss)	152,836	225,675
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease in current financial assets at fair value through profit or loss	-	6,000
Decrease in accounts receivable	36,152	480,858
Increase in inventories	(61,275)	(9,031)
Decrease in other current assets	8,027	11,002
Decrease in other financial assets— current	607	11,098
Total changes in operating assets	(16,489)	499,927
Changes in operating liabilities :		
Decrease in notes and accounts payable	(36,504)	(84,033)
Decrease in other payable	(33,399)	(104,020)
Decrease in other current liabilities	(4,381)	(98,815)
Increase in accrued pension liabilities	2,171	2,592
Total changes in operating liabilities	(72,113)	(284,276)
Total changes in operating assets and liabilities	(88,602)	215,651
Total adjustments	64,234	441,326
Cash inflow generated from operations	119,152	382,650
Income taxes paid	(20,398)	(38,237)
Net cash flows from operating activities	98,754	344,413
Cash flows from (used in) investing activities		
Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition	(2,848)	-
Acquisition of property, plant and equipment	(86,565)	(82,505)
Proceeds from disposal of property, plant and equipment	12,120	35,695
Acquisition of intangible assets	-	(324)
Decrease(increase) in other financial assets-current	(157,337)	13,011
Decrease(increase) in other financial assets-non-current	25,915	(61,985)
Decrease(increase) in other non-current assets	(8,772)	1,950
Interest received	7,795	4,025
Net cash flows used in investing activities	(209,692)	(90,133)
Cash flows from (used in) financing activities :		
Increase(decrease) in short-term loans	240,688	(485,389)
Proceeds from long-term debt	-	75,345
Repayments of long-term debt	(82,436)	(116,547)
Decrease in other non-current liabilities	(150)	(453)
Exercise of employee stock options	-	380
Interest paid	(10,423)	(14,937)
Change in non-controlling interests	(6,000)	(5,956)
Net cash flows from (used in) financing activities	141,679	(547,557)
Effect of exchange rate changes on cash and cash equivalents	3,699	7,733
Net increase(decrease) in cash and cash equivalents	34,440	(285,544)
Cash and cash equivalents at beginning of period	737,526	908,714
Cash and cash equivalents at end of period	\$ 771,966	623,170