

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

Address : 1F., No.5, Zihciang St., Tucheng Dist., New Taipei City 236, Taiwan
Telephone : 886-2-2268-7790

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

ASSETS		2013.9.30		2012.12.31		2012.9.30		2012.1.1		LIABILITIES AND STOCKHOLDERS' EQUITY		2013.9.30		2012.9.30		2012.9.30		2012.1.1									
		Amount	%	Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%	Amount	%								
Current assets																											
1100	Cash and cash equivalents	\$	599,433	12	\$	737,526	14	\$	602,781	12	\$	908,714	15	2100	Short-term borrowings	\$	949,475	19	\$	730,502	14	\$	688,472	13	\$	1,045,617	17
1110	Financial assets at fair value through profit or loss - current		5,640	-		93	-		2,214	-		6,000	-	2120	Financial liabilities at fair value through profit or loss -current		-	-		2,100	-		2,670	-		2,172	-
1170	Notes and accounts receivable, net		1,787,366	35		1,702,091	33		1,779,999	34		2,149,414	35	2170	Notes and accounts payable		614,618	12		629,182	12		667,362	13		752,716	12
1310	Inventories		582,539	11		513,982	10		547,539	10		495,789	8	2200	Other payables		588,017	11		587,045	11		482,804	9		596,156	10
1476	Other financial assets - current		332,494	6		277,737	5		399,074	7		405,118	7	2230	Current tax liabilities		27,395	-		15,134	-		17,711	-		23,634	1
1479	Other current assets		44,314	1		50,182	1		56,135	1		75,609	-	2399	Other current liabilities		73,800	2		64,282	2		81,379	2		66,638	1
Total current assets			3,351,786	65		3,281,611	63		3,387,742	64		4,040,644	65	2321	Bonds payable, current portion or exercise sell back		195	-		285,119	6		282,837	6		-	-
Non-current assets																											
1523	Available-for-sale financial assets - non-current		45,157	1		49,056	1		70,057	1		61,164	1	2322	Long-term borrowings, current portion		53,406	1		113,630	2		121,770	2		146,881	2
Total current liabilities																2,306,906	45		2,426,994	47		2,345,005	45		2,633,814	43	
1550	Investments accounted for using equity method		-	-		-	-		-	-		24,872	-	Non-current liabilities													
1600	Property, plant and equipment		1,459,705	29		1,567,592	30		1,530,700	29		1,760,752	29	2500	Financial liabilities at fair value through profit or loss -non-current		-	-		-	-		-	-		2,460	-
1780	Intangible assets		41,612	1		49,440	1		51,930	1		59,887	1	2530	Bonds payable		-	-		-	-		-	-		276,102	4
1980	Other financial assets - non-current		20,466	-		56,385	1		58,610	1		25,570	-	2540	Long-term borrowings		11,868	-		50,988	1		76,289	1		51,493	1
1990	Other non-current assets		194,755	4		178,797	4		181,422	4		215,428	4	2640	Accrued pension liabilities		157,361	3		154,104	3		146,035	3		142,141	2
Total non-current assets			1,761,695	35		1,901,270	37		1,892,719	36		2,147,673	35	2670	Other non-current liabilities		455	-		600	-		3,665	-		35,395	1
															Total non-current liabilities		169,684	3		205,692	4		225,989	4		507,591	8
															Total liabilities		2,476,590	48		2,632,686	51		2,570,994	49		3,141,405	51
Equity attributable to owners of parent																											
3100	Capital stock		1,290,471	25		1,362,141	26		1,362,111	26		1,361,771	22														
3200	Capital surplus		1,140,289	23		1,199,552	23		1,197,956	23		1,193,131	19														
3300	Retained earnings (accumulated deficit)		(51,379)	(1)		(99,363)	(2)		(50,503)	(2)		225,954	4														
3400	Other equity interest		242,699	5		164,956	4		187,666	4		253,142	4														
3500	Treasury shares		-	-		(89,772)	(2)		-	-		-	-														
Total equity attributable to owners of parent			2,622,080	52		2,537,514	49		2,697,230	51		3,033,998	49														
36XX	Non-controlling interests		14,811	-		12,681	-		12,237	-		12,914	-														
Total equity			2,636,891	52		2,550,195	49		2,709,467	51		3,046,912	49														
TOTAL ASSETS			\$5,113,481	100		\$5,182,881	100		\$5,280,461	100		\$6,188,317	100	TOTAL LIABILITIES AND EQUITY			\$5,113,481	100		\$5,182,881	100		\$5,280,461	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 September 30				Nine Months Ended September 30			
	2013		2012		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	\$ 1,393,084	100	1,278,719	100	\$ 3,883,253	100	3,647,339	100
5000 Operating costs	1,231,206	89	1,174,518	92	3,439,143	89	3,328,615	91
Gross profit from operations	161,878	11	104,201	8	444,110	11	318,724	9
Operating expenses :								
6100 Selling expenses	26,168	2	23,065	2	74,868	2	67,075	2
6200 Administrative expenses	94,858	6	89,877	7	233,694	6	257,110	7
6300 Research and development expenses	23,782	2	25,515	2	69,874	2	64,633	2
Total operating expenses	144,808	10	138,457	11	378,436	10	388,818	11
Net operating income (loss)	17,070	1	(34,256)	(3)	65,674	1	(70,094)	(2)
Non-operating income and expenses :								
7101 Interest income	1,483	-	2,171	-	8,409	-	7,213	-
7020 Other gains and losses	(5,178)	-	1,171	-	6,945	-	(1,566)	-
7510 Finance costs	(8,053)	(1)	(6,604)	-	(20,788)	-	(23,552)	(1)
7060 Share of loss of associates accounted for using equity method, net	-	-	-	-	-	-	(8,195)	-
	(11,748)	(1)	(3,262)	-	(5,434)	-	(26,100)	(1)
7900 Profit (loss) before tax	5,322	-	(37,518)	(3)	60,240	1	(96,194)	(3)
7950 Tax expense	(22,528)	(1)	(3,084)	-	(56,049)	(1)	(43,961)	(1)
8200 Profit (loss)	(17,206)	(1)	(40,602)	(3)	4,191	-	(140,155)	(4)
Other comprehensive income :								
8310 Other comprehensive income, before tax, exchange differences on translation	(24,878)	(2)	(28,542)	(2)	82,117	2	(69,010)	(2)
8325 Other comprehensive income, before tax, available-for-sale financial assets	(4,902)	-	807	-	(3,899)	-	3,221	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
8300 Other comprehensive income, net	(29,780)	(2)	(27,735)	(2)	78,218	2	(65,789)	(2)
8500 Total comprehensive income	<u>\$ (46,986)</u>	<u>(3)</u>	<u>(68,337)</u>	<u>(5)</u>	<u>\$ 82,409</u>	<u>2</u>	<u>(205,944)</u>	<u>(6)</u>
Profit (loss), attributable to :								
8610 Owners of parent	(17,652)	(1)	(40,886)	(3)	2,536	-	(140,241)	(4)
8620 Non-controlling interests	446	-	284	-	1,655	-	86	-
	<u>\$ (17,206)</u>	<u>(1)</u>	<u>(40,602)</u>	<u>(3)</u>	<u>\$ 4,191</u>	<u>-</u>	<u>(140,155)</u>	<u>(4)</u>
Comprehensive income attributable to :								
8710 Owners of parent	(47,271)	(3)	(68,469)	(5)	80,279	2	(205,717)	(6)
8720 Non-controlling interests	285	-	132	-	2,130	-	(227)	-
	<u>\$ (46,986)</u>	<u>(3)</u>	<u>(68,337)</u>	<u>(5)</u>	<u>\$ 82,409</u>	<u>2</u>	<u>(205,944)</u>	<u>(6)</u>
Earnings per share (expressed in dollars) :								
9710 Basic earnings (loss) per share	<u>\$ (0.14)</u>		<u>(0.30)</u>		<u>\$ 0.02</u>		<u>(1.03)</u>	
9810 Diluted earnings per share	<u>\$ (0.14)</u>		<u>(0.30)</u>		<u>\$ 0.02</u>		<u>(1.03)</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	-	-	-	(140,241)	(140,241)	-	-	-	-	(140,241)	86	(140,155)
Other comprehensive income	-	-	-	-	-	(68,697)	3,221	(65,476)	-	(65,476)	(313)	(65,789)
Total comprehensive income	-	-	-	(140,241)	(140,241)	(68,697)	3,221	(65,476)	-	(205,717)	(227)	(205,944)
Compensation cost arising from employee stock options	-	4,785	-	-	-	-	-	-	-	4,785	-	4,785
Exercise of employee stock options	340	40	-	-	-	-	-	-	-	380	-	380
Changes in non-controlling	-	-	-	(32)	(32)	-	-	-	-	(32)	(450)	(482)
Balance, September 30, 2012	\$ 1,362,111	1,197,956	27,556	(78,059)	(50,503)	184,445	3,221	187,666	-	2,697,230	12,237	2,709,467
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	-	-	-	2,536	2,536	-	-	-	-	2,536	1,655	4,191
Other comprehensive income	-	-	-	-	-	81,642	(3,899)	77,743	-	77,743	475	78,218
Total comprehensive income	-	-	-	2,536	2,536	81,642	(3,899)	77,743	-	80,279	2,130	82,409
Compensation cost arising from employee stock options	-	4,185	-	-	-	-	-	-	-	4,185	-	4,185
Exercise of employee stock options	100	2	-	-	-	-	-	-	-	102	-	102
Retirement of treasury share	(71,770)	(18,002)	-	-	-	-	-	-	89,772	-	-	-
Balance, September 30, 2013	\$ 1,290,471	1,140,289	-	(51,379)	(51,379)	270,546	(27,847)	242,699	-	2,622,080	14,811	2,636,891

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

	Nine Months Ended September 30	
	2013	2012
Cash flows from (used in) operating activities :		
Profit (loss) before tax	\$ 60,240	(96,194)
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	200,904	221,861
Amortization expense	8,522	11,143
Amortization of long-term rent prepayment	892	874
Interest expense	20,788	23,552
Interest income	(8,409)	(7,213)
Share-based payments	4,185	4,785
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	(2,647)	(9,776)
Loss on disposal of property, plant and equipment	4,793	2,556
Loss on disposal of investments	-	7,358
Property, plant and equipment transferred to expenses	615	295
Impairment loss on non-financial assets	-	40,529
Loss on bond redemption	6,869	-
Total adjustments to reconcile profit (loss)	236,512	304,159
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease(increase) in current financial assets at fair value through profit or loss	(5,000)	6,000
Decrease(increase) in accounts receivable	(28,928)	312,389
Increase in inventories	(53,163)	(62,161)
Decrease in other current assets	8,214	17,489
Decrease in other financial assets– current	619	27,637
Total changes in operating assets	(78,258)	301,354
Changes in operating liabilities :		
Decrease in notes and accounts payable	(34,232)	(5,459)
Increase(decrease) in other payable	35,127	(96,893)
Increase(decrease) in other current liabilities	14,144	(43,885)
Increase in accrued pension liabilities	3,257	3,894
Total changes in operating liabilities	18,296	(142,343)
Total changes in operating assets and liabilities	(59,962)	159,011
Total adjustments	176,550	463,170
Cash inflow generated from operations	236,790	366,976
Income taxes paid	(43,170)	(56,829)
Net cash flows from operating activities	193,620	310,147
Cash flows from (used in) investing activities :		
Acquisition of property, plant and equipment	(115,844)	(114,046)
Proceeds from disposal of property, plant and equipment	13,422	35,968
Acquisition of intangible assets	(600)	(511)
Decrease in other financial assets-current	(60,406)	(16,159)
Decrease(increase) in other financial assets-non-current	36,499	(33,505)
Decrease(increase) in other non-current assets	(12,584)	2,907
Interest received	10,051	5,403
Net cash flows used in investing activities	(129,462)	(119,943)
Cash flows from (used in) financing activities :		
Increase(decrease) in short-term loans	221,418	(348,721)
Repayments of bonds	(283,600)	-
Proceeds from long-term debt	-	135,277
Repayments of long-term debt	(103,639)	(127,906)
Decrease in other non-current liabilities	(150)	(103)
Cash dividends paid	-	(136,184)
Exercise of employee stock options	102	380
Interest paid	(17,883)	(19,321)
Change in non-controlling interests	(6,000)	(5,956)
Net cash flows used in financing activities	(189,752)	(502,534)
Effect of exchange rate changes on cash and cash equivalents	(12,499)	6,397
Net decrease in cash and cash equivalents	(138,093)	(305,933)
Cash and cash equivalents at beginning of period	737,526	908,714
Cash and cash equivalents at end of period	\$ 599,433	602,781