

**MEGAFORCE CO., LTD.  
AND SUBSIDIARIES  
Consolidated Financial Statements for the  
DECEMBER 31, 2013 AND 2012**

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

ASSETS		2013.12.31		2012.12.31		2012.1.1		LIABILITIES AND STOCKHOLDERS' EQUITY		2013.12.31		2012.12.31		2012.1.1	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
<b>Current assets</b>								<b>Current liabilities</b>							
1100	Cash and cash equivalents	\$ 610,484	12	\$ 737,526	14	\$ 908,714	15	2100	Short-term borrowings	\$ 977,043	20	\$ 730,502	14	\$ 1,045,617	17
1110	Financial assets at fair value through profit or loss - current	-	-	93	-	6,000	-	2120	Financial liabilities at fair value through profit or loss -current	723	-	2,100	-	2,172	-
1170	Notes and accounts receivable, net	1,744,468	35	1,702,091	33	2,149,414	35	2170	Notes and accounts payable	574,682	12	629,182	12	752,716	12
1310	Inventories	566,336	11	513,982	10	495,789	8	2200	Other payables	516,768	10	587,045	11	596,156	10
1460	Non-current assets classified as held for sale, net	12,555	-	-	-	-	-	2230	Current tax liabilities	25,661	1	15,134	-	23,634	1
1476	Other financial assets - current	324,083	7	277,737	5	405,118	7	2250	Current provisions	46,671	1	-	-	-	-
1479	Other current assets	45,510	1	50,182	1	75,609	-	2399	Other current liabilities	60,096	1	64,282	2	66,638	1
<b>Total current assets</b>		<u>3,303,436</u>	<u>66</u>	<u>3,281,611</u>	<u>63</u>	<u>4,040,644</u>	<u>65</u>	2321	Bonds payable, current portion or exercise sell back	-	-	285,119	6	-	-
<b>Non-current assets</b>								2322	Long-term borrowings, current portion	23,960	-	113,630	2	146,881	2
1523	Available-for-sale financial assets-non-current	22,006	-	49,056	1	61,164	1	<b>Total current liabilities</b>		<u>2,225,604</u>	<u>45</u>	<u>2,426,994</u>	<u>47</u>	<u>2,633,814</u>	<u>43</u>
1550	Investments accounted for using equity method	-	-	-	-	24,872	-	<b>Non-current liabilities</b>							
1600	Property, plant and equipment	1,440,463	29	1,567,592	30	1,760,752	29	2500	Financial liabilities at fair value through profit or loss -non-current	-	-	-	-	2,460	-
1780	Intangible assets	39,329	1	49,440	1	59,887	1	2530	Bonds payable	-	-	-	-	276,102	4
1980	Other financial assets - non-current	14,446	-	56,385	1	25,570	-	2540	Long-term borrowings	5,990	-	50,988	1	51,493	1
1990	Other non-current assets	188,151	4	178,797	4	215,428	4	2640	Accrued pension liabilities	150,260	3	154,104	3	142,141	2
<b>Total non-current assets</b>		<u>1,704,395</u>	<u>34</u>	<u>1,901,270</u>	<u>37</u>	<u>2,147,673</u>	<u>35</u>	2670	Other non-current liabilities	3,070	-	600	-	35,395	1
								<b>Total non-current liabilities</b>		<u>159,320</u>	<u>3</u>	<u>205,692</u>	<u>4</u>	<u>507,591</u>	<u>8</u>
								<b>Total liabilities</b>		<u>2,384,924</u>	<u>48</u>	<u>2,632,686</u>	<u>51</u>	<u>3,141,405</u>	<u>51</u>
								<b>Equity attributable to owners of parent</b>							
								3100	Capital stock	1,291,914	26	1,362,141	26	1,361,771	22
								3200	Capital surplus	1,141,793	23	1,199,552	23	1,193,131	19
								3300	Retained earnings (accumulated deficit)	(128,145)	(3)	(99,363)	(2)	225,954	4
								3400	Other equity interest	302,274	6	164,956	4	253,142	4
								3500	Treasury shares	-	-	(89,772)	(2)	-	-
								<b>Total equity attributable to owners of parent</b>		<u>2,607,836</u>	<u>52</u>	<u>2,537,514</u>	<u>49</u>	<u>3,033,998</u>	<u>49</u>
								<b>Non-controlling interests</b>							
								36XX	Non-controlling interests	15,071	-	12,681	-	12,914	-
								<b>Total equity</b>		<u>2,622,907</u>	<u>52</u>	<u>2,550,195</u>	<u>49</u>	<u>3,046,912</u>	<u>49</u>
<b>TOTAL ASSETS</b>		<u><b>\$5,007,831</b></u>	<u><b>100</b></u>	<u><b>\$5,182,881</b></u>	<u><b>100</b></u>	<u><b>\$6,188,317</b></u>	<u><b>100</b></u>	<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>\$5,007,831</b></u>	<u><b>100</b></u>	<u><b>\$5,182,881</b></u>	<u><b>100</b></u>	<u><b>\$6,188,317</b></u>	<u><b>100</b></u>

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

	<b>2013</b>		<b>2012</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000 <b>Operating revenue</b>	\$ 5,155,620	100	4,928,472	100
5000 <b>Operating costs</b>	4,545,825	88	4,504,404	91
<b>Gross profit from operations</b>	609,795	12	424,068	9
<b>Operating expenses :</b>				
6100 Selling expenses	100,021	2	88,896	2
6200 Administrative expenses	336,399	7	342,439	8
6300 Research and development expenses	99,899	2	89,492	2
<b>Total operating expenses</b>	536,319	11	520,827	12
<b>Net operating income (loss)</b>	73,476	1	(96,759)	(3)
<b>Non-operating income and expenses :</b>				
7101 Interest income	10,387	-	9,649	-
7020 Other gains and losses	(68,013)	(1)	604	-
7510 Finance costs	(25,533)	-	(29,736)	(1)
7060 Share of loss of associates accounted for using equity method, net	-	-	(8,195)	-
	(83,159)	(1)	(27,678)	(1)
7900 <b>Loss before tax</b>	(9,683)	-	(124,437)	(4)
7950 <b>Tax expense</b>	(69,731)	(1)	(58,506)	(1)
8200 <b>Net loss</b>	(79,414)	(1)	(182,943)	(5)
<b>Other comprehensive income :</b>				
8310 Other comprehensive income, before tax, exchange differences on translation	129,173	2	(64,566)	(1)
8325 Other comprehensive income, before tax, available-for-sale financial assets	8,924	-	(23,948)	-
8360 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	8,187	-	(6,763)	-
8399 Income tax relating to components of other comprehensive income	(1,392)	-	1,150	-
8300 <b>Other comprehensive income, net</b>	144,892	2	(94,127)	(1)
8500 <b>Total comprehensive income</b>	<b>\$ 65,478</b>	<b>1</b>	<b>(277,070)</b>	<b>(6)</b>
<b>Profit (loss), attributable to :</b>				
8610 Owners of parent	(81,025)	(1)	(183,488)	(5)
8620 Non-controlling interests	1,611	-	545	-
	<b>\$ (79,414)</b>	<b>(1)</b>	<b>(182,943)</b>	<b>(5)</b>
<b>Comprehensive income attributable to :</b>				
8710 Owners of parent	63,088	1	(277,287)	(6)
8720 Non-controlling interests	2,390	-	217	-
	<b>\$ 65,478</b>	<b>1</b>	<b>(277,070)</b>	<b>(6)</b>
<b>Earnings per share (expressed in dollars) :</b>				
9710 <b>Basic earnings (loss) per share</b>	<b>\$ (0.63)</b>		<b>(1.35)</b>	
9810 <b>Diluted earnings per share</b>	<b>\$ (0.63)</b>		<b>(1.35)</b>	

**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 income (loss)	-	-	-	(183,488)	(183,488)			-	-	(183,488)	545	(182,943)
Other comprehensive income	-	-	-	(5,613)	5,613	(64,238)	(23,948)	(88,186)	-	(93,799)	(328)	(94,127)
Total comprehensive income	-	-	-	(189,101)	(189,101)	(64,238)	(23,948)	(88,186)	-	(277,287)	217	(277,070)
Compensation cost arising from employee stock options	-	6,380	-	-	-	-	-	-	-	6,380	-	6,380
Exercise of employee stock options	370	41	-	-	-			-	-	411	-	411
Changes in non-controlling interests	-	-	-	(32)	(32)			-	-	(32)	(450)	(482)
Purchase of treasury share	-	-	-	-	-	-	-	-	(89,772)	(89,772)	-	(89,772)
Balance, December 31, 2012	\$ 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 (loss)	-	-	-	(81,025)	(81,025)			-	-	(81,025)	1,611	(79,414)
Other comprehensive income	-	-	-	6,795	6,795	128,394	8,924	137,318	-	144,113	779	144,892
Total comprehensive income	-	-	-	(74,230)	(74,230)	128,394	8,924	137,318	-	63,088	2,390	65,478
Compensation cost arising from employee stock options	-	5,580	-	-	-	-	-	-	-	5,580	-	5,580
Exercise of employee stock options	1430	29	-	-	-			-	-	1,459	-	1,459
Retirement of treasury share	(71,770)	(18,002)	-	-	-			-	89,772	-	-	-
Conversion of convertible bonds	113	82	-	-	-	-	-	-	-	195	-	195
Balance, December 31, 2013	\$ 1,291,914	1,141,793	-	(128,145)	(128,145)	317,298	(15,024)	302,274	-	2,607,836	15,071	2,622,907

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

	2013	2012
<b>Cash flows from (used in) operating activities :</b>		
Net loss before tax	\$ (9,683)	(124,437)
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	264,703	293,320
Amortization expense	10,806	14,139
Amortization of long-term rent prepayment	1,192	1,164
Interest expense	25,533	29,736
Interest income	(10,387)	(9,649)
Share-based payments	5,580	6,380
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	(1,284)	(8,225)
Loss on disposal of property, plan and equipment	5,091	5,177
Property, plan and equipment transferred to expenses	839	296
Impairment loss on non-financial assets	35,974	40,529
Loss on disposal of investments	-	7,358
Loss on bond redemption	6,866	-
Totoal adjustments to reconcile profit	344,913	388,420
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	47,151	392,685
Increase in inventories	(28,842)	(27,955)
Decrease in other current assets	7,935	22,332
Decrease in other financial assets– current	41	31,531
Totoal changes in operating assets	26,285	424,593
Changes in operating liabilities :		
Decrease in notes and accounts payable	(85,188)	(105,235)
Increase(decrease) in other payable	54,502	(60,487)
Increase(decrease) in other current liabilities	4,566	(28,143)
Increase in accrued pension liabilities	4,343	5,200
Total changes in operating liabilities	(21,777)	(188,665)
Total changes in operating assets and liabilities	4,508	235,928
Total adjustments	349,421	624,348
Cash inflow generated from operations	339,738	499,911
Income taxes paid	(64,228)	(76,392)
<b>Net cash flows from operating activities</b>	<b>275,510</b>	<b>423,519</b>
<b>Cash flows from (used in) investing activities :</b>		
Acquisition of available-for-sale financial assets	-	(32,974)
Proceeds from disposal of available-for-sale financial assets	-	26,806
Acquisition of property, plant and equipment	(182,936)	(145,577)
Proceeds from disposal of property, plant and equipment	13,521	49,642
Acquisition of intangible assets	(600)	(511)
Decrease(increase) in other financial assets-current	(50,979)	101,782
Decrease(increase) in other financial assets-non-current	42,786	(31,261)
Decrease in other non-current assets	3,098	7,234
Interest received	11,852	8,593
<b>Net cash flows used in investing activities</b>	<b>(163,258)</b>	<b>(16,266)</b>
<b>Cash flows from (used in) financing activities :</b>		
Increase(decrease) in short-term loans	234,849	(306,826)
Repayments of bonds	(299,800)	-
Proceeds from long-term debt	-	135,277
Repayments of long-term debt	(139,760)	(160,959)
Decrease in other non-current liabilities	(178)	(102)
Cash dividends paid	-	(136,184)
Exercise of employee stock options	1,459	411
Payments to acquire treasury shares	(4,869)	(84,903)
Interest paid	(22,292)	(24,102)
Changes in non-controlling interests	(6,000)	(5,956)
<b>Net cash flows used in financing activities</b>	<b>(236,591)</b>	<b>(583,344)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(2,703)</b>	<b>4,903</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(127,042)</b>	<b>(171,188)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>737,526</b>	<b>908,714</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 610,484</b>	<b>737,526</b>