

**MEGAFORCE CO., LTD.  
AND SUBSIDIARIES**  
**Consolidated Financial Statements for the  
Six Months Ended June 30, 2014 and 2013  
(Reviewed , Not Audited)**

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**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
June 30, 2014, December 31, And June 30, 2013  
(Expressed in Thousands of New Taiwan Dollars)

		2014.6.30		2013.12.31		2013.6.30				2014.6.30		2013.12.31		2013.6.30	
		(Reviewed)		(Audited)		(Reviewed)				(Reviewed)		(Audited)		(Reviewed)	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
ASSETS															
Current assets															
1100	Cash and cash equivalents	\$	675,501	14	610,484	12	771,966	14	2100	Short-term borrowings	\$	949,518	20	977,043	18
1110	Financial assets at fair value through profit or loss - current		243	-	-	-	2,951	-	2120	Financial liabilities at fair value through profit or loss -current		-	-	723	-
1170	Notes and accounts receivable, net		1,469,407	31	1,744,468	35	1,735,761	32	2170	Notes and accounts payable		523,590	11	574,682	12
1310	Inventories		561,414	12	566,336	11	595,163	11	2200	Other payables		471,212	10	516,768	10
1460	Non-current assets classified as held for sale, net		-	-	12,555	-	-	-	2230	Current tax liabilities		22,572	1	25,661	1
									2250	Current provisions		47,020	1	46,671	1
1476	Other financial assets - current		439,254	9	324,083	7	433,553	8	2399	Other current liabilities		59,937	1	60,096	1
1479	Other current assets		43,004	1	45,510	1	44,516	1	2321	Bonds payable, current portion or exercise sell back		-	-	-	-
Total current assets			3,188,823	67	3,303,436	66	3,583,910	66	2322	Long-term borrowings, current portion		10,000	-	23,960	-
Non-current assets															
1523	Available-for-sale financial assets-non-current		27,951	1	22,006	-	50,058	1	Total current liabilities						
1543	Non-current financial assets at cost, net		1,731	-	-	-	-	-	2540	Long-term borrowings		50,000	1	5,990	-
1600	Property, plant and equipment		1,310,686	27	1,440,463	29	1,502,729	28	2640	Accrued pension liabilities		152,671	3	150,260	3
1780	Intangible assets		51,244	1	39,329	1	43,826	1	2670	Other non-current liabilities		3,011	-	3,070	-
1980	Other financial assets - non-current		20,560	-	14,446	-	31,199	-	Total non-current liabilities						
1990	Other non-current assets		185,593	4	188,151	4	192,533	4	Total liabilities						
Total non-current assets			1,597,765	33	1,704,395	34	1,820,345	34							
LIABILITIES AND STOCKHOLDERS' EQUITY															
Current liabilities															
Total current liabilities															
Non-current liabilities															
Total non-current liabilities															
Total liabilities															
Equity attributable to owners of parent															
3100	Capital stock		1,300,249	27					3100	Capital stock		1,300,249	27	1,291,914	26
3200	Capital surplus		1,015,963	22					3200	Capital surplus		1,015,963	22	1,141,793	23
3300	Accumulated deficit		(134,446)	(3)					3300	Accumulated deficit		(134,446)	(3)	(128,145)	(3)
3400	Other equity interest		247,163	5					3400	Other equity interest		247,163	5	302,274	6
Total equity attributable to owners of parent			2,428,929	51					Total equity attributable to owners of parent			2,428,929	51	2,607,836	52
Non-controlling interests															
Total equity			2,497,057	52					Total equity			2,497,057	52	2,622,907	52
TOTAL ASSETS		\$	4,786,588	100	5,007,831	100	5,404,255	100	TOTAL LIABILITIES AND EQUITY		\$	4,786,588	100	5,007,831	100

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)  
(Reviewed, Not Audited)

	Three Months Ended June 30				Six Months Ended June 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue</b>	\$ 1,194,018	100	1,326,836	100	2,232,891	100	2,490,169	100
5000 <b>Operating costs</b>	1,103,173	93	1,177,989	89	2,069,914	93	2,207,937	89
<b>Gross profit from operations</b>	90,845	7	148,847	11	162,977	7	282,232	11
<b>Operating expenses :</b>								
6100 Selling expenses	23,894	2	25,318	2	46,999	2	48,700	2
6200 Administrative expenses	91,354	8	72,552	5	165,527	7	138,836	5
6300 Research and development expenses	31,273	2	23,200	2	60,343	3	46,092	2
<b>Total operating expenses</b>	146,521	12	121,070	9	272,869	12	233,628	9
<b>Net operating income (loss)</b>	(55,676)	(5)	27,777	2	(109,892)	(5)	48,604	2
<b>Non-operating income and expenses :</b>								
7101 Interest income	2,100	-	3,009	-	3,595	-	6,926	-
7020 Other gains and losses	9	-	6,274	-	688	-	12,123	-
7510 Finance costs	(4,315)	-	(6,275)	-	(9,225)	-	(12,735)	-
	(2,206)	-	3,008	-	(4,942)	-	6,314	-
7900 <b>Income (Loss) before tax</b>	(57,882)	(5)	30,785	2	(114,834)	(5)	54,918	2
7950 <b>Tax expense</b>	(16,290)	(1)	(20,001)	(1)	(27,618)	(1)	(33,521)	(1)
8200 <b>Net income (loss)</b>	(74,172)	(6)	10,784	1	(142,452)	(6)	21,397	1
<b>Other comprehensive income (loss) :</b>								
8310 Other comprehensive income (loss), before tax, exchange differences on translation	(39,075)	(3)	43,327	3	(58,807)	(3)	106,995	4
8325 Other comprehensive income, before tax, available-for-sale financial assets	1,043	-	856	-	3,310	-	1,003	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
8300 <b>Other comprehensive income (loss), net</b>	(38,032)	(3)	44,183	3	(55,497)	(3)	107,998	4
8500 <b>Total comprehensive income (loss)</b>	<u>\$ (112,204)</u>	<u>(9)</u>	<u>54,967</u>	<u>4</u>	<u>(197,949)</u>	<u>(9)</u>	<u>129,395</u>	<u>5</u>
<b>Net income (loss), attributable to :</b>								
8610 Owners of parent	(70,114)	(6)	10,200	1	(134,446)	(6)	20,188	1
8620 Non-controlling interests	(4,058)	-	584	-	(8,006)	-	1,209	-
	<u>\$ (74,172)</u>	<u>(6)</u>	<u>10,784</u>	<u>1</u>	<u>(142,452)</u>	<u>(6)</u>	<u>21,397</u>	<u>1</u>
<b>Comprehensive income (loss) attributable to :</b>								
8710 Owners of parent	(107,887)	(9)	54,118	4	(189,557)	(9)	127,550	5
8720 Non-controlling interests	(4,317)	-	849	-	(8,392)	-	1,845	-
	<u>\$ (112,204)</u>	<u>(9)</u>	<u>54,967</u>	<u>4</u>	<u>(197,949)</u>	<u>(9)</u>	<u>129,395</u>	<u>5</u>
<b>Earnings per share (expressed in dollars) :</b>								
9710 <b>Basic earnings (loss) per share</b>	<u>\$ (0.54)</u>		<u>0.08</u>		<u>(1.04)</u>		<u>0.16</u>	
9810 <b>Diluted earnings per share</b>	<u>\$ (0.54)</u>		<u>0.08</u>		<u>(1.04)</u>		<u>0.16</u>	

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For The Six Months Ended June 30, 2014 And 2013**  
**(Expressed in Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	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, 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
Balance at January 1, 2014	\$ 1,291,914	1,141,793	-	(128,145)	(128,145)	317,298	(15,024)	302,274	-	2,607,836	15,071	2,622,907
Capital surplus used to offset accumulated deficits	-	(128,145)	-	128,145	128,145	-	-	-	-	-	-	-
Net loss	-	-	-	(134,446)	(134,446)	-	-	-	-	(134,446)	(8,006)	(142,452)
Other comprehensive income (loss)	-	-	-	-	-	(58,421)	3,310	(55,111)	-	(55,111)	(386)	(55,497)
Total comprehensive income (loss)	-	-	-	(134,446)	(134,446)	(58,421)	3,310	(55,111)	-	(189,557)	(8,392)	(197,949)
Exercise of employee stock options	8,335	167	-	-	-	-	-	-	-	8,502	-	8,502
Compensation cost arising from employee stock options	-	2,148	-	-	-	-	-	-	-	2,148	-	2,148
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	61,449	61,449
Balance at June 30, 2014	\$ 1,300,249	1,015,963	-	(134,446)	(134,446)	258,877	(11,714)	247,163	-	2,428,929	68,128	2,497,057

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Six Months Ended June 30, 2014 And 2013**  
**(Expressed in Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	2014	2013
<b>Cash flows from operating activities :</b>		
Net income (loss) before tax	\$ (114,834)	54,918
<b>Adjustments :</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	129,689	133,490
Amortization expense	4,979	6,305
Interest expense	9,225	12,735
Interest income	(3,595)	(6,926)
Share-based payments	2,148	2,790
Net gain on financial assets or liabilities at fair value through profit or loss	(966)	(1,816)
Loss(Gain) on disposal of property, plan and equipment	(2,055)	5,650
Property, plan and equipment transferred to expenses	38	608
Gain on disposal of non-current assets classified as held for sale	(3,463)	-
Totoal adjustments to reconcile profit	136,000	152,836
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease in accounts receivable	243,027	36,152
Increase in inventories	(5,896)	(61,275)
Decrease in other financial assets– current	4,501	1,244
Decrease in other current assets	2,333	7,390
Totoal changes in operating assets	243,965	(16,489)
Changes in operating liabilities :		
Decrease in notes and accounts payable	(40,458)	(36,504)
Decrease in other payable	(40,765)	(39,640)
Increase in other current liabilities	7,142	1,860
Increase in accrued pension liabilities	2,411	2,171
Total changes in operating liabilities	(71,670)	(72,113)
Total changes in operating assets and liabilities	172,295	(88,602)
Total adjustments	308,295	64,234
Cash inflow generated from operations	193,461	119,152
Income taxes paid	(32,067)	(20,398)
<b>Net cash flows from operating activities</b>	161,394	98,754
<b>Cash flows used in investing activities :</b>		
Acquisition of financial assets at fair value through profit or loss, designated as upon initial recognition	-	(2,848)
Acquisition of available-for-sale financial assets	(2,636)	-
Proceeds from disposal of non-current assets classified as held for sale	16,018	-
Acquisition of property, plant and equipment	(51,112)	(86,565)
Proceeds from disposal of property, plant and equipment	26,813	12,120
Acquisition of intangible assets	(4,855)	-
Net cash flow from acquisition of subsidiaries	46,109	-
Increase in other financial assets-current	(119,717)	(157,337)
Decrease(Increase) in other financial assets-non-current	(6,019)	25,915
Decrease(Increase) in other non-current assets	124	(8,772)
Interest received	7,102	7,795
<b>Net cash flows used in investing activities</b>	(88,173)	(209,692)
<b>Cash flows from financing activities :</b>		
Increase(Decrease) in short-term loans	(15,171)	240,688
Proceeds from long-term debt	60,000	-
Repayments of long-term debt	(30,161)	(82,436)
Incease(Decrease) in other non-current liabilities	6	(150)
Exercise of employee stock options	8,502	-
Interest paid	(13,102)	(10,423)
Change in non-controlling interests	(6,010)	(6,000)
<b>Net cash flows from financing activities</b>	4,064	141,679
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(12,268)	3,699
<b>Net increase in cash and cash equivalents</b>	65,017	34,440
<b>Cash and cash equivalents at beginning of period</b>	610,484	737,526
<b>Cash and cash equivalents at end of period</b>	<b>\$ 675,501</b>	<b>771,966</b>