

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

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

		2014.9.30		2013.12.31		2013.9.30				2014.9.30		2013.12.31		2013.9.30	
		(Reviewed)		(Audited)		(Reviewed)				(Reviewed)		(Audited)		(Reviewed)	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
ASSETS															
Current assets															
1100	Cash and cash equivalents	\$	659,800	13	610,484	12	599,433	12	2100	Short-term borrowings	\$	939,370	19	977,043	20
1110	Financial assets at fair value through profit or loss - current		-	-	-	-	5,640	-	2120	Financial liabilities at fair value through profit or loss -current		-	-	723	-
1170	Notes and accounts receivable, net		1,576,858	32	1,744,468	35	1,787,366	35	2170	Notes and accounts payable		616,806	13	574,682	12
1310	Inventories		660,242	14	566,336	11	582,539	11	2200	Other payables		515,581	10	516,768	10
1460	Non-current assets classified as held for sale, net		-	-	12,555	-	-	-	2230	Current tax liabilities		32,078	1	25,661	1
1476	Other financial assets - current		354,181	7	324,083	7	332,494	6	2250	Current provisions		-	-	46,671	1
1479	Other current assets		49,850	1	45,510	1	44,314	1	2399	Other current liabilities		76,911	2	60,096	1
Total current assets			3,300,931	67	3,303,436	66	3,351,786	65	2321	Bonds payable, current portion or exercise sell back		-	-	-	-
Non-current assets															
1523	Available-for-sale financial assets-non-current		23,276	1	22,006	-	45,157	1	2322	Long-term borrowings, current portion		17,500	-	23,960	-
1543	Non-current financial assets at cost, net		1,731	-	-	-	-	-	Total current liabilities			2,198,246	45	2,225,604	45
1600	Property, plant and equipment		1,323,755	27	1,440,463	29	1,459,705	29	Non-current liabilities						
1780	Intangible assets		49,026	1	39,329	1	41,612	1	2540	Long-term borrowings		42,500	1	5,990	-
1980	Other financial assets - non-current		23,060	-	14,446	-	20,466	-	2640	Accrued pension liabilities		153,881	3	150,260	3
1990	Other non-current assets		195,496	4	188,151	4	194,755	4	2670	Other non-current liabilities		3,071	-	3,070	-
Total non-current assets			1,616,344	33	1,704,395	34	1,761,695	35	Total non-current liabilities			199,452	4	159,320	3
Total liabilities															
2,397,698 49 2,384,924 48 2,476,590 48															
Equity attributable to owners of parent															
3100	Capital stock		1,300,249	26					3100	Capital stock		1,300,249	26	1,291,914	26
3200	Capital surplus		1,017,037	21					3200	Capital surplus		1,017,037	21	1,141,793	23
3300	Accumulated deficit		(163,145)	(3)					3300	Accumulated deficit		(163,145)	(3)	(128,145)	(1)
3400	Other equity interest		301,111	6					3400	Other equity interest		301,111	6	302,274	6
Total equity attributable to owners of parent			2,455,252	50					Total equity attributable to owners of parent			2,455,252	50	2,607,836	52
Non-controlling interests															
36XX	Non-controlling interests		64,325	1					36XX	Non-controlling interests		64,325	1	15,071	-
Total equity			2,519,577	51					Total equity			2,519,577	51	2,622,907	52
TOTAL LIABILITIES AND EQUITY															
TOTAL ASSETS		\$	4,917,275	100	5,007,831	100	5,113,481	100	TOTAL LIABILITIES AND EQUITY		\$	4,917,275	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 September 30				Nine Months Ended September 30			
	2014		2013		2014		2013	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	\$ 1,224,052	100	1,393,084	100	3,456,943	100	3,883,253	100
5000 Operating costs	1,087,455	89	1,231,206	89	3,157,369	91	3,439,143	89
Gross profit from operations	136,597	11	161,878	11	299,574	9	444,110	11
Operating expenses :								
6100 Selling expenses	25,750	2	26,168	2	72,749	2	74,868	2
6200 Administrative expenses	76,041	6	94,858	6	241,568	7	233,694	6
6300 Research and development expenses	33,720	3	23,782	2	94,063	3	69,874	2
Total operating expenses	135,511	11	144,808	10	408,380	12	378,436	10
Net operating income (loss)	1,086	-	17,070	1	(108,806)	(3)	65,674	1
Non-operating income and expenses :								
7101 Interest income	2,585	-	1,483	-	6,180	-	8,409	-
7020 Other gains and losses	(7,512)	(1)	(5,178)	-	(6,824)	-	6,945	-
7510 Finance costs	(4,047)	-	(8,053)	(1)	(13,272)	-	(20,788)	-
	(8,974)	-	(11,748)	(1)	(13,916)	-	(5,434)	-
7900 Income (Loss) before tax	(7,888)	(1)	5,322	-	(122,722)	(3)	60,240	1
7950 Tax expense	(25,024)	(2)	(22,528)	(1)	(52,642)	(2)	(56,049)	(1)
8200 Net income (loss)	(32,912)	(3)	(17,206)	(1)	(175,364)	(5)	4,191	-
Other comprehensive income (loss) :								
8310 Other comprehensive income (loss), before tax, exchange differences on translation	59,034	5	(24,878)	(2)	277	-	82,117	2
8325 Other comprehensive income(loss), before tax, available-for-sale financial assets	(4,676)	-	(4,902)	-	(1,366)	-	(3,899)	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
8300 Other comprehensive income (loss), net	54,358	5	(29,780)	(2)	(1,139)	-	78,218	2
8500 Total comprehensive income (loss)	<u>\$ 21,446</u>	<u>2</u>	<u>(46,986)</u>	<u>(3)</u>	<u>(176,503)</u>	<u>(5)</u>	<u>82,409</u>	<u>2</u>
Net income (loss), attributable to :								
8610 Owners of parent	(28,699)	(3)	(17,652)	(1)	(163,145)	(5)	2,536	-
8620 Non-controlling interests	(4,213)	-	446	-	(12,219)	-	1,655	-
	<u>\$ (32,912)</u>	<u>(3)</u>	<u>(17,206)</u>	<u>(1)</u>	<u>(175,364)</u>	<u>(5)</u>	<u>4,191</u>	<u>-</u>
Comprehensive income (loss) attributable to :								
8710 Owners of parent	25,249	2	(47,271)	(3)	(164,308)	(5)	80,279	2
8720 Non-controlling interests	(3,803)	-	285	-	(12,195)	-	2,130	-
	<u>\$ 21,446</u>	<u>2</u>	<u>(46,986)</u>	<u>(3)</u>	<u>(176,503)</u>	<u>(5)</u>	<u>82,409</u>	<u>2</u>
Earnings per share (expressed in dollars) :								
9710 Basic earnings (loss) per share	<u>\$ (0.22)</u>		<u>(0.14)</u>		<u>(1.26)</u>		<u>0.02</u>	
9810 Diluted earnings(loss) per share	<u>\$ (0.22)</u>		<u>(0.14)</u>		<u>(1.26)</u>		<u>0.02</u>	

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For The Nine Months Ended September 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	-	-	-	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
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	-	-	-	(163,145)	(163,145)	-	-	-	-	(163,145)	(12,219)	(175,364)
Other comprehensive income (loss)	-	-	-	-	-	203	(1,366)	(1,163)	-	(1,163)	24	(1,139)
Total comprehensive income (loss)	-	-	-	(163,145)	(163,145)	203	(1,366)	(1,163)	-	(164,308)	(12,195)	(176,503)
Exercise of employee stock options	8,335	167	-	-	-	-	-	-	-	8,502	-	8,502
Compensation cost arising from employee stock options	-	3,222	-	-	-	-	-	-	-	3,222	-	3,222
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	-	61,449	61,449
Balance at September 30, 2014	\$ 1,300,249	1,017,037	-	(163,145)	(163,145)	317,501	(16,390)	301,111	-	2,455,252	64,325	2,519,577

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

	2014	2013
Cash flows from operating activities :		
Net income (loss) before tax	\$ (122,722)	60,240
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	193,596	200,904
Amortization expense	7,714	9,414
Interest expense	13,272	20,788
Interest income	(6,180)	(8,409)
Share-based payments	3,222	4,185
Net gain on financial assets or liabilities at fair value through profit or loss	(723)	(2,647)
Loss(Gain) on disposal of property, plant and equipment	(475)	4,793
Property, plant and equipment transferred to expenses	38	615
Gain on disposal of non-current assets classified as held for sale	(3,463)	-
Loss on bond redemption	-	6,869
Total adjustments to reconcile profit	207,001	236,512
Changes in operating assets and liabilities :		
Changes in operating assets :		
Increase in current financial assets at fair value through profit or loss	-	(5,000)
Decrease(Increase) in accounts receivable	170,452	(28,928)
Increase in inventories	(92,084)	(53,163)
Decrease in other financial assets— current	5,459	619
Decrease(Increase) in other current assets	(3,335)	8,214
Total changes in operating assets	80,492	(78,258)
Changes in operating liabilities :		
Increase(Decrease) in notes and accounts payable	40,631	(34,232)
Increase(Decrease) in other payable	(37,455)	35,127
Increase in other current liabilities	22,054	14,144
Increase in accrued pension liabilities	3,620	3,257
Total changes in operating liabilities	28,850	18,296
Total changes in operating assets and liabilities	109,342	(59,962)
Total adjustments	316,343	176,550
Cash inflow generated from operations	193,621	236,790
Income taxes paid	(46,780)	(43,170)
Net cash flows from operating activities	146,841	193,620
Cash flows used in investing activities :		
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	(113,623)	(115,844)
Proceeds from disposal of property, plant and equipment	26,880	13,422
Acquisition of intangible assets	(4,963)	(600)
Net cash flows from acquisition of subsidiaries	46,109	-
Increase in other financial assets-current	(34,120)	(60,406)
Decrease(Increase) in other financial assets-non-current	(7,989)	36,499
Increase in other non-current assets	(8,042)	(12,584)
Interest received	5,086	10,051
Net cash flows used in investing activities	(77,280)	(129,462)
Cash flows used in financing activities :		
Increase(Decrease) in short-term loans	(41,291)	221,418
Repayments of bonds	-	(283,600)
Proceeds from long-term debt	60,000	-
Repayments of long-term debt	(30,161)	(103,639)
Decrease in other non-current liabilities	-	(150)
Exercise of employee stock options	8,502	102
Interest paid	(13,668)	(17,883)
Change in non-controlling interests	(6,010)	(6,000)
Net cash flows used in financing activities	(22,628)	(189,752)
Effect of exchange rate changes on cash and cash equivalents	2,383	12,499
Net increase(decrease) in cash and cash equivalents	49,316	(138,093)
Cash and cash equivalents at beginning of period	610,484	737,526
Cash and cash equivalents at end of period	\$ 659,800	599,433