

**MEGAFORCE CO., LTD.
AND SUBSIDIARIES
Consolidated Financial Statements for the
DECEMBER 31, 2014 AND 2013**

Address : 1F., No.5, Zihciang St., Tucheng Dist., New Taipei City 236, Taiwan
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ASSETS	2014.12.31		2013.12.31				2014.12.31		2013.12.31	
	Amount	%	Amount	%			Amount	%	Amount	%
Current assets										
Cash and cash equivalents	\$ 665,963	13	\$ 610,484	12	2100	Short-term borrowings	\$ 1,027,399	20	\$ 977,043	20
Notes and accounts receivable, net	1,744,896	34	1,744,468	35	2120	Financial liabilities at fair value through profit or loss -current	-	-	723	-
Inventories	645,625	12	566,336	11						
Non-current assets classified as held for sale, net	-	-	12,555	-	2170	Notes and accounts payable	636,873	12	574,682	12
Other financial assets - current	392,660	8	324,083	7	2200	Other payables	565,679	11	516,768	10
Other current assets	34,206	1	45,510	1	2230	Current tax liabilities	25,873	1	25,661	1
Total current assets	3,483,350	68	3,303,436	66	2250	Current provisions	-	-	46,671	1
					2399	Other current liabilities	74,698	2	60,096	1
Non-current assets					2322	Long-term borrowings, current portion	25,000	-	23,960	-
Available-for-sale financial assets-non-current	14,182	-	22,006	-		Total current liabilities	2,355,522	46	2,225,604	45
Non-current financial assets at cost, net	1,731	-	-	-		Non-current liabilities				
Property, plant and equipment	1,320,546	26	1,440,463	29	2540	Long-term borrowings	35,000	1	5,990	-
Intangible assets	53,211	1	39,329	1	2640	Accrued pension liabilities	165,693	3	150,260	3
Deferred tax assets	168,292	3	139,102	3	2670	Other non-current liabilities	2,195	-	3,070	-
Other financial assets - non-current	18,964	-	14,446	-		Total non-current liabilities	202,888	4	159,320	3
Other non-current assets	64,722	2	49,049	1		Total liabilities	2,558,410	50	2,384,924	48
Total non-current assets	1,641,648	32	1,704,395	34						
						Equity attributable to owners of parent				
					3100	Capital stock	1,300,734	25	1,291,914	26
					3200	Capital surplus	1,018,426	20	1,141,793	23
					3300	Accumulated deficit	(201,942)	(4)	(128,145)	(3)
					3400	Other equity interest	391,447	8	302,274	6
						Total equity attributable to owners of parent	2,508,665	49	2,607,836	52
					36XX	Non-controlling interests	57,923	1	15,071	-
						Total equity	2,566,588	50	2,622,907	52
TOTAL ASSETS	\$ 5,124,998	100	\$ 5,007,831	100		TOTAL LIABILITIES AND EQUITY	\$ 5,124,998	100	\$ 5,007,831	100

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2014		2013	
	Amount	%	Amount	%
4000 Operating revenue	\$ 4,858,636	100	\$ 5,155,620	100
5000 Operating costs	4,421,024	91	4,545,825	88
Gross profit from operations	437,612	9	609,795	12
Operating expenses :				
6100 Selling expenses	99,638	2	100,021	2
6200 Administrative expenses	314,742	6	336,399	7
6300 Research and development expenses	131,586	3	99,899	2
Total operating expenses	545,966	11	536,319	11
Net operating income (loss)	(108,354)	(2)	73,476	1
Non-operating income and expenses :				
7101 Interest income	7,464	-	10,387	-
7020 Other gains and losses	(48,170)	(1)	(68,013)	(1)
7510 Finance costs	(17,609)	-	(25,533)	-
	(58,315)	(1)	(83,159)	(1)
7900 Loss before tax	(166,669)	(3)	(9,683)	-
7950 Tax expense	(45,932)	(1)	(69,731)	(1)
8200 Net loss	(212,601)	(4)	(79,414)	(1)
Other comprehensive income :				
8310 Other comprehensive income, before tax, exchange differences on translation	73,251	1	129,173	2
8325 Other comprehensive income, before tax, available-for-sale financial assets	16,788	-	8,924	-
8360 Other comprehensive income, before tax, actuarial gains (losses) on defined benefit plans	(10,607)	-	8,187	-
8399 Income tax relating to components of other comprehensive income	1,803	-	(1,392)	-
8300 Other comprehensive income, net	81,235	1	144,892	2
8500 Total comprehensive income(loss)	\$ (131,366) (3)		\$ 65,478 1	
Profit (loss), attributable to :				
8610 Owners of parent	(193,138)	(4)	(81,025)	(1)
8620 Non-controlling interests	(19,463)	-	1,611	-
	\$ (212,601) (4)		\$ (79,414) (1)	
Comprehensive income(loss) attributable to :				
8710 Owners of parent	(112,769)	(3)	63,088	1
8720 Non-controlling interests	(18,597)	-	2,390	-
	\$ (131,366) (3)		\$ 65,478 1	
Earnings per share (expressed in dollars) :				
9710 Basic earnings(loss) per share	\$ (1.49)		\$ (0.63)	
9810 Diluted earnings(loss) per share	\$ (1.49)		\$ (0.63)	

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(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, 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
Appropriation and distribution of retained earnings:												
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
Appropriation and distribution of retained earnings:												
Capital surplus used to offset accumulated deficits	-	(128,145)	-	128,145	128,145	-	-	-	-	-	-	-
Net income (loss)	-	-	-	(193,138)	(193,138)	-	-	-	-	(193,138)	(19,463)	(212,601)
Other comprehensive income	-	-	-	(8,804)	(8,804)	72,385	16,788	89,173	-	80,369	866	81,235
Total comprehensive income	-	-	-	(201,942)	(201,942)	72,385	16,788	89,173	-	(112,769)	(18,597)	(131,366)
Compensation cost arising from employee stock options	-	4,296	-	-	-	-	-	-	-	4,296	-	4,296
Exercise of employee stock options	8820	482	-	-	-	-	-	-	-	9,302	-	9,302
Changes in non-controlling	-	-	-	-	-	-	-	-	-	-	61,449	61,449
Balance, December 31, 2014	\$ 1,300,734	1,018,426	-	(201,942)	(201,942)	389,683	1,764	391,447	-	2,508,665	57,923	2,566,588

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013
(Expressed in Thousands of New Taiwan Dollars)

	2014	2013
Cash flows from (used in) operating activities :		
Net loss before tax	\$ (166,669)	\$ (9,683)
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	259,098	264,703
Amortization expense	7,481	10,806
Amortization of long-term rent prepayment	1,209	1,192
Interest expense	17,609	25,533
Interest income	(7,464)	(10,387)
Share-based payments	4,296	5,580
Net gain on financial assets or liabilities at fair value through profit or loss	(723)	(1,284)
Loss on disposal of property, plan and equipment	14,206	5,091
Property, plan and equipment transferred to expenses	38	839
Gain on disposal of non-current assets classified as held for sale	(3,463)	-
Impairment loss on non-financial assets	27,248	35,974
Loss on bond redemption	-	6,866
Total adjustments to reconcile profit	319,535	344,913
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease in accounts receivable	46,753	47,151
Increase in inventories	(60,537)	(28,842)
Decrease(increase) in other financial assets-- current	(2,038)	41
Decrease in other current assets	13,639	7,935
Total changes in operating assets	(2,183)	26,285
Changes in operating liabilities :		
Increase(decrease) in notes and accounts payable	44,775	(85,188)
Increase(decrease) in other payable	(14,235)	54,502
Increase in other current liabilities	17,327	4,566
Increase in accrued pension liabilities	4,826	4,343
Total changes in operating liabilities	52,693	(21,777)
Total changes in operating assets and liabilities	50,510	4,508
Total adjustments	370,045	349,421
Cash inflow generated from operations	203,376	339,738
Income taxes paid	(72,516)	(64,228)
Net cash flows from operating activities	130,860	275,510
Cash flows from (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	(144,419)	(182,936)
Proceeds from disposal of property, plant and equipment	28,092	13,521
Acquisition of intangible assets	(4,971)	(600)
Acquisition of ownership interests in subsidiaries	46,109	-
Increase in other financial assets-current	(65,465)	(50,979)
Decrease(increase) in other financial assets-non-current	(3,300)	42,786
Decrease(increase) in other non-current assets	(15,341)	3,098
Interest received	7,445	11,852
Net cash flows used in investing activities	(138,468)	(163,258)
Cash flows from (used in) financing activities :		
Increase in short-term loans	26,867	234,849
Repayments of bonds	-	(299,800)
Proceeds from long-term debt	60,000	-
Repayments of long-term debt	(30,161)	(139,760)
Increase(decrease) in other non-current liabilities	200	(178)
Exercise of employee stock options	9,302	1,459
Payments to acquire treasury shares	-	(4,869)
Interest paid	(17,753)	(22,292)
Changes in non-controlling interests	(6,010)	(6,000)
Net cash flows from(used in) financing activities	42,445	(236,591)
Effect of exchange rate changes on cash and cash equivalents	20,642	(2,703)
Net increase(decrease) in cash and cash equivalents	55,479	(127,042)
Cash and cash equivalents at beginning of period	610,484	737,526
Cash and cash equivalents at end of period	\$ 665,963	\$ 610,484