

**MEGAFORCE CO., LTD.
AND SUBSIDIARIES**
**Consolidated Financial Statements for the
Three Months Ended March 31, 2016 and 2015
(Reviewed , Not Audited)**

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MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2016, December 31, And March 31, 2015
(Expressed in Thousands of New Taiwan Dollars)

		2016.3.31		2015.12.31		2015.3.31				2016.3.31		2015.12.31		2015.3.31	
		(Reviewed)		(Audited)		(Reviewed)				(Reviewed)		(Audited)		(Reviewed)	
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%
ASSETS															
Current assets															
1100	Cash and cash equivalents	\$	877,546	18	\$	902,987	16		487,345	10					
1170	Notes and accounts receivable, net		1,407,088	29		1,811,975	33		1,696,284	33					
1310	Inventories		493,446	10		563,396	10		783,960	15					
1476	Other financial assets-current		460,261	9		494,461	9		530,409	10					
1479	Other current assets		31,183	1		52,942	1		58,751	1					
Total current assets			3,269,524	67		3,825,761	69		3,556,749	69					
Non-current assets															
1523	Available-for-sale financial assets-non-current		8,836	-		10,544	-		12,613	-					
1543	Non-current financial assets at cost, net		1,731	-		1,731	-		1,731	-					
1600	Property, plant and equipment		1,302,181	27		1,356,679	25		1,318,790	26					
1780	Intangible assets		60,435	1		55,389	1		52,189	1					
1840	Deferred tax assets		161,469	3		159,435	3		167,400	3					
1980	Other financial assets-non-current		12,139	-		8,011	-		16,959	-					
1990	Other non-current assets		93,890	2		105,061	2		54,065	1					
Total non-current assets			1,640,681	33		1,696,850	31		1,623,747	31					
LIABILITIES AND STOCKHOLDERS' EQUITY															
Current liabilities															
	Short-term borrowings	\$	1,245,219	25		1,347,577	25				\$	1,131,942	22		
	Notes and accounts payable		391,878	8		620,593	11					649,565	12		
	Other payables		486,244	10		594,952	11					534,044	10		
	Other payables to related parties		10,000	-		10,000	-					-	-		
	Current tax liabilities		6,722	-		17,991	-					33,006	1		
	Other current liabilities		56,441	1		75,776	1					63,774	1		
	Net defined benefit liability - current		96,237	2		109,935	2					-	-		
	Long-term borrowings, current portion		27,500	1		30,000	1					32,500	1		
Total current liabilities			2,320,241	47		2,806,824	51					2,444,831	47		
Non-current liabilities															
	Long-term borrowings		-	-		5,000	-					27,500	1		
	Net defined benefit liability-non-current		61,070	2		59,815	1					166,882	3		
	Other non-current liabilities		9,758	-		9,734	-					2,224	-		
Total non-current liabilities			70,828	2		74,549	1					196,606	4		
Total liabilities			2,391,069	49		2,881,373	52					2,641,437	51		
Equity attributable to owners of parent															
	Capital stock		1,302,344	26		1,302,344	24					1,301,119	25		
	Capital surplus		818,869	17		818,655	15					1,019,351	20		
	Retained earnings(accumulated deficit)		14,481	-		78,936	1					(198,936)	(4)		
	Other equity interest		326,120	7		376,749	7					367,702	7		
Total equity attributable to owners of parent			2,461,814	50		2,576,684	47					2,489,236	48		
Non-controlling interests															
			57,322	1		64,554	1					49,823	1		
Total equity			2,519,136	51		2,641,238	48					2,539,059	49		
TOTAL LIABILITIES AND EQUITY			\$4,910,205	100		5,522,611	100					\$5,180,496	100		

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Three Months Ended March 31, 2016 And 2015
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2016		2015	
	Amount	%	Amount	%
4000 Operating revenue	\$ 1,097,462	100	\$ 1,301,303	100
5000 Operating costs	1,011,223	92	1,136,683	87
Gross profit from operations	86,239	8	164,620	13
Operating expenses :				
6100 Selling expenses	24,241	2	28,933	2
6200 Administrative expenses	85,683	8	82,410	7
6300 Research and development expenses	37,168	4	34,979	3
Total operating expenses	147,092	14	146,322	12
Net operating income (loss)	(60,853)	(6)	18,298	1
Non-operating income and expenses :				
7101 Interest income	487	-	1,878	-
7020 Other gains and losses	(5,943)	-	(190)	-
7510 Finance costs	(6,603)	(1)	(4,758)	-
	(12,059)	(1)	(3,070)	-
7900 Income (loss) before tax	(72,912)	(7)	15,228	1
7950 Tax expense	1,688	-	(20,064)	(1)
8200 Net loss	(71,224)	(7)	(4,836)	-
Other comprehensive income :				
Components of other comprehensive income that will be reclassified to profit or loss :				
8361 Exchange differences on translation	(49,384)	(4)	(22,434)	(2)
8362 Unrealised loss on valuation of available-for-sale financial assets	(1,708)	-	(1,569)	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-
8300 Other comprehensive income, net	(51,092)	(4)	(24,003)	(2)
8500 Total comprehensive loss	\$ (122,316) (11)		(28,839) (2)	
Net income (loss), attributable to :				
8610 Owners of parent	(64,455)	(6)	3,006	-
8620 Non-controlling interests	(6,769)	(1)	(7,842)	-
	\$ (71,224) (7)		(4,836) -	
Comprehensive loss attributable to :				
8710 Owners of parent	(115,084)	(10)	(20,739)	(2)
8720 Non-controlling interests	(7,232)	(1)	(8,100)	-
	\$ (122,316) (11)		(28,839) (2)	
Earnings per share (expressed in dollars) :				
9710 Basic earnings (loss) per share	\$ (0.49)		0.02	
9810 Diluted earnings (loss) per share	\$ (0.49)		0.02	

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For The Three Months Ended March 31, 2016 And 2015
(Expressed in Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent								
	Common Stock	Capital Surplus	Retained Earnings (Accumulated Deficit)	Other Equity Interest		Total	Total Equity Attributable to Owners of Parent	Non-controlling Interests	Total Equity
				Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets				
Balance at January 1, 2015	\$ 1,300,734	1,018,426	(201,942)	389,683	1,764	391,447	2,508,665	57,923	2,566,588
Net income (loss)	-	-	3,006	-	-	-	3,006	(7,842)	(4,836)
Other comprehensive income	-	-	-	(22,176)	(1,569)	(23,745)	(23,745)	(258)	(24,003)
Total comprehensive income	-	-	3,006	(22,176)	(1,569)	(23,745)	(20,739)	(8,100)	(28,839)
Exercise of employee stock	385	250	-	-	-	-	635	-	635
Compensation cost arising from employee stock options	-	675	-	-	-	-	675	-	675
Balance at March 31, 2015	\$ 1,301,119	1,019,351	(198,936)	367,507	195	367,702	2,489,236	49,823	2,539,059
Balance at January 1, 2016	\$ 1,302,344	818,655	78,936	378,623	(1,874)	376,749	2,576,684	64,554	2,641,238
Net loss	-	-	(64,455)	-	-	-	(64,455)	(6,769)	(71,224)
Other comprehensive income	-	-	-	(48,921)	(1,708)	(50,629)	(50,629)	(463)	(51,092)
Total comprehensive income	-	-	(64,455)	(48,921)	(1,708)	(50,629)	(115,084)	(7,232)	(122,316)
Compensation cost arising from employee stock options	-	214	-	-	-	-	214	-	214
Balance at March 31, 2016	\$ 1,302,344	818,869	14,481	329,702	(3,582)	326,120	2,461,814	57,322	2,519,136

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Three Months Ended March 31, 2016 And 2015
(Expressed in Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2016	2015
Cash flows from (used in) operating activities :		
Net income (loss) before tax	\$ (72,912)	\$15,228
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	66,011	62,788
Amortization expense	3,137	1,251
Interest expense	6,603	4,758
Interest income	(487)	(1,878)
Share-based payments	214	675
Loss on disposal of property, plan and equipment	2,309	224
Property, plan and equipment transferred to expenses	1,171	401
Total adjustments to reconcile profit	78,958	68,219
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease in accounts receivable	380,698	34,426
Decrease (increase) in inventories	62,438	(142,501)
Decrease in other financial assets– current	2,957	8,151
Decrease (increase) in other current assets	21,618	(24,683)
Total changes in operating assets	467,711	(124,607)
Changes in operating liabilities :		
Increase (decrease) in notes and accounts payable	(222,467)	17,256
Decrease in other payable	(101,131)	(24,906)
Decrease in other current liabilities	(18,369)	(10,122)
Increase (decrease) in net defined benefit liability	(12,443)	1,189
Total changes in operating liabilities	(354,410)	(16,583)
Total changes in operating assets and liabilities	113,301	(141,190)
Total adjustments	192,259	(72,971)
Cash inflow (outflow) generated from operations	119,347	(57,743)
Income taxes paid	(14,470)	(12,776)
Net cash flows from (used in) operating activities	104,877	(70,519)
Cash flows from (used in) investing activities :		
Acquisition of property, plant and equipment	(38,280)	(71,742)
Proceeds from disposal of property, plant and equipment	-	46
Acquisition of intangible assets	(8,048)	(4,213)
Decrease (increase) in other financial assets-current	30,380	(145,576)
Decrease (increase) in other financial assets-non-current	(4,229)	1,848
Decrease in other non-current assets	9,433	9,894
Interest received	659	1,259
Net cash flows used in investing activities	(10,085)	(208,484)
Cash flows from (used in) financing activities :		
Increase in short-term loans	1,543,516	1,139,960
Repayments of short-term loans	(1,619,374)	(1,022,970)
Repayments of long-term debt	(7,500)	-
Increase in other non-current liabilities	51	50
Exercise of employee stock options	-	635
Interest paid	(6,846)	(4,406)
Net cash flows from (used in) financing activities	(90,153)	113,269
Effect of exchange rate changes on cash and cash equivalents	(30,080)	(32,884)
Net decrease in cash and cash equivalents	(25,441)	(178,618)
Cash and cash equivalents at beginning of period	902,987	665,963
Cash and cash equivalents at end of period	\$ 877,546	487,345