

**MEGAFORCE CO., LTD.  
AND SUBSIDIARIES  
Consolidated Financial Statements for the  
Six Months Ended June 30, 2016 and 2015  
(Reviewed , Not Audited)**

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**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**June 30, 2016, December 31, And June 30, 2015**  
**(Expressed in Thousands of New Taiwan Dollars)**

		2016.6.30		2015.12.31		2015.6.30				2016.6.30		2015.12.31		2015.6.30			
		(Reviewed)		(Audited)		(Reviewed)				(Reviewed)		(Audited)		(Reviewed)			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
ASSETS																	
Current assets																	
1100	Cash and cash equivalents	\$	752,401	16	902,987	16	578,145	11	2100	Short-term borrowings	\$	785,172	17	1,347,577	25	1,191,503	22
1170	Notes and accounts receivable, net		1,519,530	33	1,811,975	33	1,738,145	33	2170	Notes and accounts payable		457,197	10	620,593	11	627,606	12
1310	Inventories		513,693	11	563,396	10	775,905	15	2200	Other payables		563,210	12	594,952	11	675,810	13
1476	Other financial assets-current		206,141	5	494,461	9	488,314	9	2220	Other payables to related parties		10,000	-	10,000	-	-	-
1479	Other current assets		28,285	1	52,942	1	60,133	1	2230	Current tax liabilities		32,856	1	17,991	-	14,107	-
Total current assets			3,020,050	66	3,825,761	69	3,640,642	69	2399	Other current liabilities		63,067	2	75,776	1	104,872	2
									2360	Net defined benefit liability - current		95,275	2	109,935	2	-	-
									2322	Long-term borrowings, current portion		45,000	1	30,000	1	30,000	1
									Total current liabilities			2,051,777	45	2,806,824	51	2,643,898	50
Non-current assets																	
1523	Available-for-sale financial assets-non-current		6,489	-	10,544	-	11,706	-									
1543	Non-current financial assets at cost, net		1,731	-	1,731	-	1,731	-									
1600	Property, plant and equipment		1,291,345	28	1,356,679	25	1,331,349	25	2540	Long-term borrowings		25,000	1	5,000	-	20,000	-
1780	Intangible assets		58,182	1	55,389	1	57,083	1	2640	Net defined benefit liability-non-current		62,325	1	59,815	1	168,069	3
1840	Deferred tax assets		130,326	3	159,435	3	166,367	3	2670	Other non-current liabilities		9,696	-	9,734	-	2,196	-
1980	Other financial assets-non-current		16,038	-	8,011	-	22,816	1				97,021	2	74,549	1	190,265	3
1990	Other non-current assets		60,743	2	105,061	2	72,185	1				2,148,798	47	2,881,373	52	2,834,163	53
Total non-current assets			1,564,854	34	1,696,850	31	1,663,237	31									
LIABILITIES AND STOCKHOLDERS' EQUITY																	
Current liabilities																	

**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			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue</b>	\$ 1,261,496	100	1,434,224	100	2,358,958	100	2,735,527	100
5000 <b>Operating costs</b>	1,042,883	83	1,308,793	91	2,054,106	87	2,445,476	89
<b>Gross profit from operations</b>	218,613	17	125,431	9	304,852	13	290,051	11
<b>Operating expenses :</b>								
6100 Selling expenses	24,498	2	30,675	2	48,739	2	59,608	2
6200 Administrative expenses	91,659	7	89,346	6	177,342	8	171,756	6
6300 Research and development expenses	39,752	3	37,071	3	76,920	3	72,050	3
<b>Total operating expenses</b>	155,909	12	157,092	11	303,001	13	303,414	11
<b>Net operating income (loss)</b>	62,704	5	(31,661)	(2)	1,851	-	(13,363)	-
<b>Non-operating income and expenses :</b>								
7101 Interest income	2,264	-	2,374	-	2,751	-	4,252	-
7020 Other gains and losses	7,576	1	(1,210)	-	1,633	-	(1,400)	-
7510 Finance costs	(5,268)	(1)	(5,176)	-	(11,871)	-	(9,934)	(1)
	4,572	-	(4,012)	-	(7,487)	-	(7,082)	(1)
7900 <b>Income(Loss) before tax</b>	67,276	5	(35,673)	(2)	(5,636)	-	(20,445)	(1)
7950 <b>Tax expense</b>	(42,606)	(3)	(6,483)	(1)	(40,918)	(2)	(26,547)	(1)
8200 <b>Net income (loss)</b>	24,670	2	(42,156)	(3)	(46,554)	(2)	(46,992)	(2)
<b>Other comprehensive income (loss) :</b>								
8361 Other comprehensive loss, before tax, exchange differences on translation	(68,491)	(6)	(26,132)	(2)	(117,875)	(5)	(48,566)	(2)
8362 Other comprehensive loss, before tax, available-for-sale financial assets	(461)	-	(907)	-	(2,169)	-	(2,476)	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
8300 <b>Other comprehensive loss, net</b>	(68,952)	(6)	(27,039)	(2)	(120,044)	(5)	(51,042)	(2)
8500 <b>Total comprehensive loss</b>	<b>\$ (44,282) (4)</b>		<b>(69,195) (5)</b>		<b>(166,598) (7)</b>		<b>(98,034) (4)</b>	
<b>Net loss, attributable to :</b>								
8610 Owners of parent	30,291	2	(33,742)	(2)	(34,164)	(1)	(30,736)	(2)
8620 Non-controlling interests	(5,621)	-	(8,414)	(1)	(12,390)	(1)	(16,256)	-
	<b>\$ 24,670 2</b>		<b>(42,156) (3)</b>		<b>(46,554) (2)</b>		<b>(46,992) (2)</b>	
<b>Comprehensive loss attributable to :</b>								
8710 Owners of parent	(38,095)	(3)	(60,498)	(4)	(153,179)	(6)	(81,237)	(3)
8720 Non-controlling interests	(6,187)	(1)	(8,697)	(1)	(13,419)	(1)	(16,797)	(1)
	<b>\$ (44,282) (4)</b>		<b>(69,195) (5)</b>		<b>(166,598) (7)</b>		<b>(98,034) (4)</b>	
<b>Earnings per share (expressed in dollars) :</b>								
9710 <b>Basic loss per share</b>	<b>\$ 0.23</b>		<b>(0.26)</b>		<b>(0.26)</b>		<b>(0.24)</b>	
9810 <b>Diluted loss per share</b>	<b>\$ 0.23</b>		<b>(0.26)</b>		<b>(0.26)</b>		<b>(0.24)</b>	

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For The Six Months Ended June 30, 2016 And 2015  
(Expressed in Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	Equity Attributable to Owners of Parent										
	Retained Earnings (Accumulated Deficit)					Other Equity Interest			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			
<b>Balance at January 1, 2015</b>	\$ 1,300,734	1,018,426	-	(201,942)	(201,942)	389,683	1,764	391,447	2,508,665	57,923	2,566,588
Capital surplus used to offset accumulated deficits	-	(201,942)	-	201,942	201,942	-	-	-	-	-	-
Net loss	-	-	-	(30,736)	(30,736)	-	-	-	(30,736)	(16,256)	(46,992)
Other comprehensive loss	-	-	-	-	-	(48,025)	(2,476)	(50,501)	(50,501)	(541)	(51,042)
Total comprehensive loss	-	-	-	(30,736)	(30,736)	(48,025)	(2,476)	(50,501)	(81,237)	(16,797)	(98,034)
Exercise of employee stock options	485	315	-	-	-	-	-	-	800	-	800
Compensation cost arising from employee stock options	-	1,125	-	-	-	-	-	-	1,125	-	1,125
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(763)	(763)
<b>Balance at June 30, 2015</b>	<b>\$ 1,301,219</b>	<b>817,924</b>	<b>-</b>	<b>(30,736)</b>	<b>(30,736)</b>	<b>341,658</b>	<b>(712)</b>	<b>340,946</b>	<b>2,429,353</b>	<b>40,363</b>	<b>2,469,716</b>
<b>Balance at January 1, 2016</b>	\$ 1,302,344	818,655	-	78,936	78,936	378,623	(1,874)	376,749	2,576,684	64,554	2,641,238
Net loss	-	-	-	(34,164)	(34,164)	-	-	-	(34,164)	(12,390)	(46,554)
Other comprehensive income	-	-	-	-	-	(116,846)	(2,169)	(119,015)	(119,015)	(1,029)	(120,044)
Total comprehensive income	-	-	-	(34,164)	(34,164)	(116,846)	(2,169)	(119,015)	(153,179)	(13,419)	(166,598)
Legal reserve appropriated	-	-	7,835	(7,835)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(39,070)	(39,070)	-	-	-	(39,070)	-	(39,070)
Compensation cost arising from employee stock options	-	536	-	-	-	-	-	-	536	-	536
<b>Balance at June 30, 2016</b>	<b>\$ 1,302,344</b>	<b>819,191</b>	<b>7,835</b>	<b>(2,133)</b>	<b>5,702</b>	<b>261,777</b>	<b>(4,043)</b>	<b>257,734</b>	<b>2,384,971</b>	<b>51,135</b>	<b>2,436,106</b>

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Six Months Ended June 30, 2016 And 2015**  
**(Expressed in Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

	2016	2015
<b>Cash flows from (used in) operating activities :</b>		
Net loss before tax	\$ (5,636)	(20,445)
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	133,273	128,822
Amortization expense	6,310	2,954
Interest expense	11,871	9,934
Interest income	(2,751)	(4,252)
Share-based payments	536	1,125
Loss (gain) on disposal of property, plan and equipment	2,059	(243)
Property, plan and equipment transferred to expenses	1,171	1,456
Impairment loss on financial assets	1,886	-
Total adjustments to reconcile profit	154,355	139,796
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease (increase) in accounts receivable	234,258	(23,476)
Decrease (increase) in inventories	32,833	(141,542)
Decrease in other financial assets– current	3,588	9,327
Decrease (increase) in other current assets	24,221	(26,821)
Total changes in operating assets	294,900	(182,512)
Changes in operating liabilities :		
Increase (decrease) in notes and accounts payable	(148,397)	1,269
Increase (decrease) in other payable	(44,156)	58,379
Increase (decrease) in other current liabilities	(10,509)	31,614
Increase (decrease) in net defined benefit liability	(12,150)	2,376
Total changes in operating liabilities	(215,212)	93,638
Total changes in operating assets and liabilities	79,688	(88,874)
Total adjustments	234,043	50,922
Cash inflow generated from operations	228,407	30,477
Income taxes paid	(1,603)	(37,593)
<b>Net cash flows from (used in) operating activities</b>	<b>226,804</b>	<b>(7,116)</b>
<b>Cash flows from (used in) investing activities :</b>		
Acquisition of property, plant and equipment	(133,800)	(105,233)
Proceeds from disposal of property, plant and equipment	989	539
Acquisition of intangible assets	(8,848)	(7,150)
Decrease (increase) in other financial assets-current	282,500	(105,526)
Increase in other financial assets-non-current	(8,315)	(4,173)
Decrease (increase) in other non-current assets	40,866	(8,893)
Interest received	2,872	3,979
<b>Net cash flows from (used in) investing activities</b>	<b>176,264</b>	<b>(226,457)</b>
<b>Cash flows from (used in) financing activities :</b>		
Increase in short-term loans	2,636,349	3,046,206
Repayments of short-term loans	(3,182,379)	(2,853,382)
Proceeds from long-term debt	50,000	-
Repayments of long-term debt	(15,000)	(10,000)
Increase in other non-current liabilities	26	48
Exercise of employee stock options	-	800
Interest paid	(12,626)	(10,057)
Change in non-controlling interests	-	(763)
<b>Net cash flows from (used in) financing activities</b>	<b>(523,630)</b>	<b>172,852</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(30,024)</b>	<b>(27,097)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(150,586)</b>	<b>(87,818)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>902,987</b>	<b>665,963</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 752,401</b>	<b>578,145</b>