

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

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

		2016.9.30		2015.12.31		2015.9.30				2016.9.30		2015.12.31		2015.9.30			
		(Reviewed)		(Audited)		(Reviewed)				(Reviewed)		(Audited)		(Reviewed)			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
ASSETS																	
Current assets																	
1100	Cash and cash equivalents	\$	709,669	16	902,987	16	709,604	12	2100	Short-term borrowings	\$	637,775	14	1,347,577	25	1,310,503	22
1170	Notes and accounts receivable, net		1,661,094	37	1,811,975	33	2,157,782	36	2170	Notes and accounts payable		571,083	13	620,593	11	792,897	13
1310	Inventories		593,298	13	563,396	10	750,633	13	2200	Other payables		528,201	12	594,952	11	737,198	13
1476	Other financial assets-current		69,497	1	494,461	9	459,489	8	2220	Other payables to related parties		63	-	10,000	-	8,000	-
1479	Other current assets		33,745	1	52,942	1	53,776	1	2230	Current tax liabilities		80,652	2	17,991	-	32,589	1
Total current assets			3,067,303	68	3,825,761	69	4,131,284	70	2399	Other current liabilities		64,490	1	75,776	1	140,856	2
									2360	Net defined benefit liability - current		94,312	2	109,935	2	-	-
									2322	Long-term borrowings, current portion		37,500	1	30,000	1	30,000	1
									Total current liabilities			2,014,076	45	2,806,824	51	3,052,043	52
Non-current assets																	
1523	Available-for-sale financial assets-non-current		6,441	-	10,544	-	11,190	-									
1543	Non-current financial assets at cost, net		1,731	-	1,731	-	1,731	-									
1600	Property, plant and equipment		1,212,978	27	1,356,679	25	1,415,177	24	2540	Long-term borrowings		18,750	1	5,000	-	12,500	-
1780	Intangible assets		55,690	1	55,389	1	57,620	1	2640	Net defined benefit liability-non-current		63,581	1	59,815	1	169,258	3
1840	Deferred tax assets		113,349	3	159,435	3	170,040	3	2670	Other non-current liabilities		9,747	-	9,734	-	2,286	-
1980	Other financial assets-non-current		13,813	-	8,011	-	22,639	1				92,078	2	74,549	1	184,044	3
1990	Other non-current assets		56,522	1	105,061	2	74,920	1				2,106,154	47	2,881,373	52	3,236,087	55
Total non-current assets			1,460,524	32	1,696,850	31	1,753,317	30									
LIABILITIES AND STOCKHOLDERS' EQUITY																	
Current liabilities																	
Non-current liabilities																	
Total non-current liabilities																	
Total liabilities																	
Equity attributable to owners of parent																	
3100	Capital stock		1,302,344	29	1,302,344	24	1,301,924	22									
3200	Capital surplus		819,511	18	818,655	15	818,383	14									
3300	Retained earnings		79,603	1	78,936	1	58,420	1									
3400	Other equity interest		175,097	4	376,749	7	435,969	7									
			2,376,555	52	2,576,684	47	2,614,696	44									
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**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			
	2016		2015		2016		2015	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue</b>	\$ 1,447,359	100	1,658,991	100	3,806,317	100	4,394,518	100
5000 <b>Operating costs</b>	1,118,264	77	1,361,317	82	3,172,370	83	3,806,793	87
<b>Gross profit from operations</b>	329,095	23	297,674	18	633,947	17	587,725	13
<b>Operating expenses :</b>								
6100 Selling expenses	26,397	2	27,840	2	75,136	2	87,448	2
6200 Administrative expenses	120,935	8	106,473	6	298,277	8	278,229	6
6300 Research and development expenses	34,209	3	43,466	3	111,129	3	115,516	3
<b>Total operating expenses</b>	181,541	13	177,779	11	484,542	13	481,193	11
<b>Net operating income</b>	147,554	10	119,895	7	149,405	4	106,532	2
<b>Non-operating income and expenses :</b>								
7101 Interest income	671	-	1,699	-	3,422	-	5,951	-
7020 Other gains and losses	2,309	-	(4,036)	-	3,942	-	(5,436)	-
7510 Finance costs	(3,593)	-	(5,993)	-	(15,464)	-	(15,927)	-
	(613)	-	(8,330)	-	(8,100)	-	(15,412)	-
7900 <b>Income before tax</b>	146,941	10	111,565	7	141,305	4	91,120	2
7950 <b>Tax expense</b>	(78,364)	(5)	(29,900)	(2)	(119,282)	(3)	(56,447)	(1)
8200 <b>Net income</b>	68,577	5	81,665	5	22,023	1	34,673	1
<b>Other comprehensive income (loss) :</b>								
8361 Other comprehensive loss, before tax, exchange differences on translation	(83,282)	(6)	96,485	6	(201,157)	(6)	47,919	1
8362 Other comprehensive loss, before tax, available-for-sale financial assets	(48)	-	(516)	-	(2,217)	-	(2,992)	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
8300 <b>Other comprehensive income (loss), net</b>	(83,330)	(6)	95,969	6	(203,374)	(6)	44,927	1
8500 <b>Total comprehensive income (loss)</b>	<u>\$ (14,753)</u>	<u>(1)</u>	<u>177,634</u>	<u>11</u>	<u>(181,351)</u>	<u>(5)</u>	<u>79,600</u>	<u>2</u>
<b>Net loss, attributable to :</b>								
8610 Owners of parent	73,901	5	89,156	5	39,737	1	58,420	1
8620 Non-controlling interests	(5,324)	-	(7,491)	-	(17,714)	-	(23,747)	-
	<u>\$ 68,577</u>	<u>5</u>	<u>81,665</u>	<u>5</u>	<u>22,023</u>	<u>1</u>	<u>34,673</u>	<u>1</u>
<b>Comprehensive income (loss) attributable to :</b>								
8710 Owners of parent	(8,736)	(1)	184,179	11	(161,915)	(4)	102,942	2
8720 Non-controlling interests	(6,017)	-	(6,545)	-	(19,436)	(1)	(23,342)	-
	<u>\$ (14,753)</u>	<u>(1)</u>	<u>177,634</u>	<u>11</u>	<u>(181,351)</u>	<u>(5)</u>	<u>79,600</u>	<u>2</u>
<b>Earnings per share (expressed in dollars) :</b>								
9710 <b>Basic loss per share</b>	<u>\$ 0.57</u>		<u>0.68</u>		<u>0.31</u>		<u>0.45</u>	
9810 <b>Diluted loss per share</b>	<u>\$ 0.57</u>		<u>0.68</u>		<u>0.30</u>		<u>0.45</u>	

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

	Equity Attributable to Owners of Parent										
	Retained Earnings					Other Equity Interest			Total Equity Attributable to Owners of Parent	Non-controlling Interests	Total Equity
	Common Stock	Capital Surplus	Legal Reserve	Unappropriated retained earnings (Accumulated Deficit)	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 income (loss)	-	-	-	58,420	58,420	-	-	-	58,420	(23,747)	34,673
Other comprehensive income (loss)	-	-	-	-	-	47,514	(2,992)	44,522	44,522	405	44,927
Total comprehensive income (loss)	-	-	-	58,420	58,420	47,514	(2,992)	44,522	102,942	(23,342)	79,600
Exercise of employee stock options	1,190	774	-	-	-	-	-	-	1,964	-	1,964
Compensation cost arising from employee stock options	-	1,125	-	-	-	-	-	-	1,125	-	1,125
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(763)	(763)
<b>Balance at September 30, 2015</b>	<b>\$ 1,301,924</b>	<b>818,383</b>	<b>-</b>	<b>58,420</b>	<b>58,420</b>	<b>437,197</b>	<b>(1,228)</b>	<b>435,969</b>	<b>2,614,696</b>	<b>33,818</b>	<b>2,648,514</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 income (loss)	-	-	-	39,737	39,737	-	-	-	39,737	(17,714)	22,023
Other comprehensive income (loss)	-	-	-	-	-	(199,435)	(2,217)	(201,652)	(201,652)	(1,722)	(203,374)
Total comprehensive income (loss)	-	-	-	39,737	39,737	(199,435)	(2,217)	(201,652)	(161,915)	(19,436)	(181,351)
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	-	856	-	-	-	-	-	-	856	-	856
<b>Balance at September 30, 2016</b>	<b>\$ 1,302,344</b>	<b>819,511</b>	<b>7,835</b>	<b>71,768</b>	<b>79,603</b>	<b>179,188</b>	<b>(4,091)</b>	<b>175,097</b>	<b>2,376,555</b>	<b>45,118</b>	<b>2,421,673</b>

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Nine Months Ended September 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 income before tax	\$141,305	91,120
Adjustments :		
Adjustments to reconcile profit (loss)		
Depreciation expense	198,126	193,486
Amortization expense	9,025	5,911
Interest expense	15,464	15,927
Interest income	(3,422)	(5,951)
Share-based payments	856	1,125
Loss (gain) on disposal of property, plan and equipment	2,286	(184)
Property, plan and equipment transferred to expenses	1,203	1,853
Impairment loss on property, plan and equipment	2,282	-
Impairment loss on financial assets	1,886	-
Totoal adjustments to reconcile profit	227,706	212,167
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease (increase) in accounts receivable	48,222	(378,639)
Decrease in inventories	(59,463)	(90,730)
Decrease (increase) in other financial assets– current	(1,610)	6,768
Decrease (increase) in other current assets	17,737	(18,355)
Totoal changes in operating assets	4,886	(480,956)
Changes in operating liabilities :		
Increase (decrease) in notes and accounts payable	(21,604)	145,395
Increase (decrease) in other payable	(10,392)	49,920
Increase (decrease) in other payable to related parties	63	-
Increase (decrease) in other current liabilities	(7,372)	62,807
Increase (decrease) in net defined benefit liability	(11,857)	3,565
Total changes in operating liabilities	(51,162)	261,687
Total changes in operating assets and liabilities	(46,276)	(219,269)
Total adjustments	181,430	(7,102)
Cash inflow generated from operations	322,735	84,018
Income taxes paid	(16,794)	(49,879)
<b>Net cash flows from operating activities</b>	<b>305,941</b>	<b>34,139</b>
<b>Cash flows from (used in) investing activities :</b>		
Acquisition of property, plant and equipment	(175,952)	(164,643)
Proceeds from disposal of property, plant and equipment	2,496	9,880
Acquisition of intangible assets	(9,020)	(12,411)
Decrease (increase) in other financial assets-current	423,475	(73,728)
Increase in other financial assets-non-current	(6,461)	(3,183)
Decrease (increase) in other non-current assets	43,393	(9,492)
Interest received	3,700	6,046
<b>Net cash flows from (used in) investing activities</b>	<b>281,631</b>	<b>(247,531)</b>
<b>Cash flows from (used in) financing activities :</b>		
Increase in short-term loans	3,271,022	4,365,647
Repayments of short-term loans	(3,961,256)	(4,082,022)
Proceeds from long-term debt	50,000	-
Repayments of long-term debt	(28,750)	(17,500)
Increase (decrease) in other payables to related parties	(10,000)	8,000
Increase in other non-current liabilities	122	48
Cash dividends paid	(39,070)	-
Exercise of employee stock options	-	1,964
Interest paid	(16,606)	(15,973)
Change in non-controlling interests	-	(763)
<b>Net cash flows from (used in) financing activities</b>	<b>(734,538)</b>	<b>259,401</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(46,352)</b>	<b>(2,368)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(193,318)</b>	<b>43,641</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>\$ 709,669</b>	<b>709,604</b>