

**MEGAFORCE CO., LTD.  
AND SUBSIDIARIES  
Consolidated Financial Statements for the  
DECEMBER 31, 2016 AND 2015**

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

		<b>2016.12.31</b>		<b>2015.12.31</b>				<b>2016.12.31</b>		<b>2015.12.31</b>	
		<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>			<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>ASSETS</b>						<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>Current assets</b>						<b>Current liabilities</b>					
1100	Cash and cash equivalents	\$ 783,999	18	\$ 902,987	16	2100	Short-term borrowings	\$ 560,479	12	\$ 1,347,577	25
1170	Notes and accounts receivable, net	1,604,964	36	1,811,975	33	2170	Notes and accounts payable	532,994	12	620,593	11
1310	Inventories	587,573	13	563,396	10	2200	Other payables	568,879	13	594,952	11
1476	Other financial assets - current	49,433	1	494,461	9	2220	Other payables to related parties	-	-	10,000	-
1479	Other current assets	33,517	1	52,942	1	2230	Current tax liabilities	31,782	1	17,991	-
<b>Total current assets</b>		<b>3,059,486</b>	<b>69</b>	<b>3,825,761</b>	<b>69</b>	2399	Other current liabilities	80,469	2	75,776	1
<b>Non-current assets</b>						2360	Net defined benefit liability - current	117,944	3	109,935	2
1523	Available-for-sale financial assets-non-current	5,702	-	10,544	-	2322	Long-term borrowings, current portion	25,000	-	30,000	1
1543	Non-current financial assets at cost, net	749	-	1,731	-	<b>Total current liabilities</b>		<b>1,917,547</b>	<b>43</b>	<b>2,806,824</b>	<b>51</b>
1600	Property, plant and equipment	1,153,011	26	1,356,679	25	<b>Non-current liabilities</b>					
1780	Intangible assets	44,097	1	55,389	1	2540	Long-term borrowings	12,500	1	5,000	-
1840	Deferred tax assets	74,990	2	159,435	3	2640	Net defined benefit liability - non-current	54,519	1	59,815	1
1980	Other financial assets - non-current	13,281	-	8,011	-	2670	Other non-current liabilities	10,131	-	9,734	-
1990	Other non-current assets	85,770	2	105,061	2	<b>Total non-current liabilities</b>		<b>77,150</b>	<b>2</b>	<b>74,549</b>	<b>1</b>
<b>Total non-current assets</b>		<b>1,377,600</b>	<b>31</b>	<b>1,696,850</b>	<b>31</b>	<b>Total liabilities</b>		<b>1,994,697</b>	<b>45</b>	<b>2,881,373</b>	<b>52</b>
						<b>Equity attributable to owners of parent</b>					
						3100	Capital stock	1,302,344	29	1,302,344	24
						3200	Capital surplus	819,095	19	818,655	15
						3300	Retained earnings(accumulated deficit)	141,585	3	78,936	1
						3400	Other equity interest	144,166	3	376,749	7
						<b>Total equity attributable to owners of parent</b>		<b>2,407,190</b>	<b>54</b>	<b>2,576,684</b>	<b>47</b>
						<b>Non-controlling interests</b>					
						36XX		35,199	1	64,554	1
						<b>Total equity</b>		<b>2,442,389</b>	<b>55</b>	<b>2,641,238</b>	<b>48</b>
<b>TOTAL ASSETS</b>		<b>\$ 4,437,086</b>	<b>100</b>	<b>\$ 5,522,611</b>	<b>100</b>	<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 4,437,086</b>	<b>100</b>	<b>\$ 5,522,611</b>	<b>100</b>

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2016</b>		<b>2015</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000 <b>Operating revenue</b>	\$ 5,170,334	100	\$ 5,915,570	100
5000 <b>Operating costs</b>	4,261,219	82	5,086,892	86
<b>Gross profit from operations</b>	909,115	18	828,678	14
<b>Operating expenses :</b>				
6100 Selling expenses	98,798	2	117,469	2
6200 Administrative expenses	416,752	8	379,981	6
6300 Research and development expenses	137,284	3	163,036	3
<b>Total operating expenses</b>	652,834	13	660,486	11
<b>Net operating income</b>	256,281	5	168,192	3
<b>Non-operating income and expenses :</b>				
7101 Interest income	4,598	-	7,719	-
7020 Other gains and losses	(2,101)	-	(12,209)	-
7510 Finance costs	(18,508)	-	(22,353)	(1)
	(16,011)	-	(26,843)	(1)
7900 <b>Income before tax</b>	240,270	5	141,349	2
7950 <b>Tax expense</b>	(146,201)	(3)	(92,712)	(1)
8200 <b>Net income</b>	94,069	2	48,637	1
<b>Other comprehensive income :</b>				
Components of other comprehensive income that will not be reclassified to profit or loss :				
8311 Gains (losses) on remeasurements of defined benefit plans	(14,276)	-	705	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	(1,441)	-	(120)	-
	(15,717)	-	585	-
Components of other comprehensive income that will be reclassified to profit or loss :				
8361 Exchange differences on translation	(231,160)	5	(11,226)	-
8362 Unrealised gains (losses) on valuation of available-for-sale financial assets	(2,956)	-	(3,638)	-
	(234,116)	5	(14,864)	-
8300 <b>Other comprehensive income, net</b>	(249,833)	5	(14,279)	-
8500 <b>Total comprehensive income (loss)</b>	<b>\$ (155,764)</b>	<b>3</b>	<b>\$ 34,358</b>	<b>1</b>
<b>Net income (loss), attribute to :</b>				
8610 Owners of parent	117,436	2	78,351	1
8620 Non-controlling interests	(23,367)	-	(29,714)	-
	<b>\$ 94,069</b>	<b>2</b>	<b>\$ 48,637</b>	<b>1</b>
<b>Comprehensive income (loss) attributable to :</b>				
8710 Owners of parent	(130,864)	3	64,238	1
8720 Non-controlling interests	(24,900)	-	(29,880)	-
	<b>\$ (155,764)</b>	<b>3</b>	<b>\$ 34,358</b>	<b>1</b>
<b>Earnings per share (expressed in dollars) :</b>				
9710 <b>Basic earnings per share</b>	<b>\$ 0.90</b>		<b>\$ 0.60</b>	
9810 <b>Diluted earnings per share</b>	<b>\$ 0.90</b>		<b>\$ 0.60</b>	

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
**(Expressed in Thousands of New Taiwan Dollars)**

	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
	Capital Stock- 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, 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
Appropriation and distribution of retained earnings:											
Capital surplus used to offset accumulated deficits	-	(201,942)	-	201,942	201,942	-	-	-	-	-	-
Net loss	-	-	-	78,351	78,351	-	-	-	78,351	(29,714)	48,637
Other comprehensive income (loss)	-	-	-	585	585	(11,060)	(3,638)	(14,698)	(14,113)	(166)	(14,279)
Total comprehensive income (loss)	-	-	-	78,936	78,936	(11,060)	(3,638)	(14,698)	64,238	(29,880)	34,358
Compensation cost arising from employee stock options	-	1,125	-	-	-	-	-	-	1,125	-	1,125
Exercise of employee stock options	1,610	1,046	-	-	-	-	-	-	2,656	-	2,656
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	36,511	36,511
<b>Balance, December 31, 2015</b>	<b>\$ 1,302,344</b>	<b>818,655</b>	<b>-</b>	<b>78,936</b>	<b>78,936</b>	<b>378,623</b>	<b>(1,874)</b>	<b>376,749</b>	<b>2,576,684</b>	<b>64,554</b>	<b>2,641,238</b>
Appropriation and distribution of retained earnings:											
Capital surplus used to offset accumulated deficits	-	-	7,835	(7,835)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(39,070)	(39,070)	-	-	-	(39,070)	-	(39,070)
Net income (loss)	-	-	-	117,436	117,436	-	-	-	117,436	(23,367)	94,069
Other comprehensive income (loss)	-	-	-	(15,717)	(15,717)	(229,627)	(2,956)	(232,583)	(248,300)	(1,533)	(249,833)
Total comprehensive income (loss)	-	-	-	101,719	101,719	(229,627)	(2,956)	(232,583)	(130,864)	(24,900)	(155,764)
Compensation cost arising from employee stock options	-	440	-	-	-	-	-	-	440	-	440
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	(4,455)	(4,455)
<b>Balance, December 31, 2016</b>	<b>\$ 1,302,344</b>	<b>819,095</b>	<b>7,835</b>	<b>133,750</b>	<b>141,585</b>	<b>148,996</b>	<b>(4,830)</b>	<b>144,166</b>	<b>2,407,190</b>	<b>35,199</b>	<b>2,442,389</b>

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2016 AND 2015**  
(Expressed in Thousands of New Taiwan Dollars)

	<b>2016</b>	<b>2015</b>
<b>Cash flows from (used in) operating activities :</b>		
Net income before tax	\$240,270	\$141,349
<b>Adjustments :</b>		
Adjustments to reconcile profit (loss)		
Depreciation expense	262,232	260,779
Amortization expense	11,049	7,731
Amortization of long-term rent prepayment	1,212	1,240
Interest expense	18,508	22,353
Interest income	(4,598)	(7,719)
Share-based payments	440	1,125
Loss on disposal of property, plan and equipment	8,321	292
Property, plan and equipment transferred to expenses	1,203	1,853
Gain on disposal of non-current assets classified as held for sale	11,993	-
Impairment loss on non-financial assets	2,868	-
Totoal adjustments to reconcile profit	313,228	287,654
<b>Changes in operating assets and liabilities :</b>		
Changes in operating assets :		
Decrease (increase) in accounts receivable	86,332	(76,787)
Decrease (increase) in inventories	(58,803)	84,610
Decrease in other financial assets– current	835	6,114
Decrease (increase) in other current assets	17,526	(18,055)
Totoal changes in operating assets	45,890	(4,118)
Changes in operating liabilities :		
Decrease in notes and accounts payable	(54,155)	(14,920)
Increase(decrease) in other payable	42,650	(3,665)
Increase in other current liabilities	9,197	220
Increase(decrease) in accrued pension liabilities	(11,563)	4,762
Total changes in operating liabilities	(13,871)	(13,603)
Total changes in operating assets and liabilities	32,019	(17,721)
Total adjustments	345,247	269,933
Cash inflow generated from operations	585,517	411,282
Income taxes paid	(55,914)	(84,946)
<b>Net cash flows from operating activities</b>	529,603	326,336
<b>Cash flows from (used in) investing activities :</b>		
Increase in prepayments for investments	-	(7,064)
Acquisition of property, plant and equipment	(208,517)	(279,350)
Proceeds from disposal of property, plant and equipment	6,592	10,642
Acquisition of intangible assets	(12,424)	(14,164)
Decrease (increase) in other financial assets-current	440,945	(108,389)
Decrease (increase) in other financial assets-non-current	(6,085)	10,988
Decrease (increase) in other non-current assets	13,290	(34,275)
Interest received	4,816	7,815
<b>Net cash flows from (used in) investing activities</b>	238,617	(413,797)
<b>Cash flows from (used in) financing activities :</b>		
Increase in short-term loans	3,892,949	5,611,805
Repayments of short-term loans	(4,673,092)	(5,270,576)
Proceeds from long-term debt	50,000	-
Repayments of long-term debt	(47,500)	(25,000)
Increase in other payables to related parties	(10,000)	10,000
Increase in other non-current liabilities	425	7
Cash dividends paid	(39,070)	-
Exercise of employee stock options	-	2,656
Interest paid	(19,123)	(22,048)
Changes in non-controlling interests	(4,455)	36,511
<b>Net cash flows from (used in) financing activities</b>	(849,866)	343,355
<b>Effect of exchange rate changes on cash and cash equivalents</b>	(37,342)	(18,870)
<b>Net increase in cash and cash equivalents</b>	(118,988)	237,024
<b>Cash and cash equivalents at beginning of period</b>	902,987	665,963
<b>Cash and cash equivalents at end of period</b>	<b>\$ 783,999</b>	<b>\$ 902,987</b>