

**MEGAFORCE CO., LTD.
AND SUBSIDIARIES**
**Consolidated Financial Statements for the
Three Months Ended March 31, 2017 and 2016
(Reviewed , Not Audited)**

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MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
March 31, 2017, December 31, And March 31, 2016

		2017.3.31		2016.12.31		2016.3.31				2017.3.31		2016.12.31		2016.3.31	
		(Reviewed)		(Audited)		(Reviewed)				(Reviewed)		(Audited)		(Reviewed)	
ASSETS		Amount	%	Amount	%	Amount	%	LIABILITIES AND STOCKHOLDERS' EQUITY		Amount	%	Amount	%	Amount	%
Current assets								Current liabilities							
1100	Cash and cash equivalents	\$ 1,011,177	24	\$ 783,999	18	877,546	18	2100	Short-term borrowings	\$ 538,192	13	560,479	12	\$ 1,245,219	25
1170	Notes and accounts receivable, net	1,233,294	30	1,604,964	36	1,407,088	29	2170	Notes and accounts payable	455,847	11	532,994	12	391,878	8
1310	Inventories	576,355	14	587,573	13	493,446	10	2200	Other payables	431,557	10	568,879	13	486,244	10
1476	Other financial assets-current	38,656	1	49,433	1	460,261	9	2220	Other payables to related parties	-	-	-	-	10,000	-
1479	Other current assets	39,766	1	33,517	1	31,183	1	2230	Current tax liabilities	9,407	-	31,782	1	6,722	-
Total current assets		2,899,248	70	3,059,486	69	3,269,524	67	2399	Other current liabilities	64,777	2	80,469	2	56,441	1
								2360	Net defined benefit liability - current	106,682	3	117,944	3	96,237	2
Non-current assets								2322	Long-term borrowings, current portion	49,000	1	25,000	-	27,500	1
1523	Available-for-sale financial assets-non-current	5,219	-	5,702	-	8,836	-	Total current liabilities		1,655,462	40	1,917,547	43	2,320,241	47
1543	Non-current financial assets at cost, net	749	-	749	-	1,731	-	Non-current liabilities							
1600	Property, plant and equipment	1,057,453	25	1,153,011	26	1,302,181	27	2540	Long-term borrowings	162,250	4	12,500	1	-	-
1780	Intangible assets	41,790	1	44,097	1	60,435	1	2640	Net defined benefit liability-non-current	55,415	1	54,519	1	61,070	2
1840	Deferred tax assets	71,080	2	74,990	2	161,469	3	2670	Other non-current liabilities	10,090	-	10,131	-	9,758	-
1980	Other financial assets-non-current	12,063	-	13,281	-	12,139	-	Total non-current liabilities		227,755	5	77,150	2	70,828	2
1990	Other non-current assets	68,137	2	85,770	2	93,890	2	Total liabilities		1,883,217	45	1,994,697	45	2,391,069	49
Total non-current assets		1,256,491	30	1,377,600	31	1,640,681	33								
								Equity attributable to owners of parent							
								3100	Capital stock	1,302,494	31	1,302,344	29	1,302,344	26
								3200	Capital surplus	825,623	20	819,095	19	818,869	17
								3300	Retained earnings(accumulated deficit)	112,925	3	141,585	3	14,481	-
								3400	Other equity interest	(778)	-	144,166	3	326,120	7
								Total equity attributable to owners of parent		2,240,264	54	2,407,190	54	2,461,814	50
								Non-controlling interests		32,258	1	35,199	1	57,322	1
								Total equity		2,272,522	55	2,442,389	55	2,519,136	51
TOTAL ASSETS		\$4,155,739	100	4,437,086	100	\$ 4,910,205	100	TOTAL LIABILITIES AND EQUITY		\$4,155,739	100	4,437,086	100	\$4,910,205	100

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Three Months Ended March 31, 2017 And 2016
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	2017		2016	
	Amount	%	Amount	%
4000 Operating revenue	\$ 1,076,513	100	\$ 1,097,462	100
5000 Operating costs	952,315	88	1,011,223	92
Gross profit from operations	124,198	12	86,239	8
Operating expenses :				
6100 Selling expenses	23,095	2	24,241	2
6200 Administrative expenses	95,459	9	85,683	8
6300 Research and development expenses	29,229	3	37,168	4
Total operating expenses	147,783	14	147,092	14
Net operating loss	(23,585)	(2)	(60,853)	(6)
Non-operating income and expenses :				
7101 Interest income	1,501	-	487	-
7020 Other gains and losses	(4,780)	(1)	(5,943)	-
7510 Finance costs	(2,864)	-	(6,603)	(1)
	(6,143)	(1)	(12,059)	(1)
7900 Loss before tax	(29,728)	(3)	(72,912)	(7)
7950 Tax expense	(3,761)	-	1,688	-
8300 Other comprehensive loss, net	(33,489)	(3)	(71,224)	(7)
8361 Exchange differences on translation	(145,306)	(14)	(49,384)	(4)
8362 Unrealised loss on valuation of available-for-sale financial assets	(483)	-	(1,708)	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-
8300 Other comprehensive income, net	(145,789)	(14)	(51,092)	(4)
8500 Total comprehensive loss	\$ (179,278)	(17)	(122,316)	(11)
Net loss, attributable to :				
8610 Owners of parent	(28,660)	(3)	(64,455)	(6)
8620 Non-controlling interests	(4,829)	-	(6,769)	(1)
	\$ (33,489)	(3)	(71,224)	(7)
Comprehensive loss attributable to :				
8710 Owners of parent	(173,604)	(16)	(115,084)	(10)
8720 Non-controlling interests	(5,674)	(1)	(7,232)	(1)
	\$ (179,278)	(17)	(122,316)	(11)
Earnings per share (expressed in dollars) :				
9710 Basic earnings (loss) per share	\$ (0.22)		\$ (0.49)	
9810 Diluted earnings (loss) per share	\$ (0.22)		\$ (0.49)	

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For The Three Months Ended March 31, 2017 And 2016
(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	Total	Exchange Differences on Translation of Foreign Financial Statements	Unrealized Gains (Losses) on Available-for-sale Financial Assets	Total			
Balance at January 1, 2016	\$ 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	-	-	-	(64,455)	(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)	(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	14,481	329,702	(3,582)	326,120	2,461,814	57,322	2,519,136
Balance at January 1, 2017	\$ 1,302,344	819,095	7,835	133,750	141,585	148,996	(4,830)	144,166	2,407,190	35,199	2,442,389
Net loss	-	-	-	(28,660)	(28,660)	-	-	-	(28,660)	(4,829)	(33,489)
Other comprehensive income	-	-	-	-	-	(144,461)	(483)	(144,944)	(144,944)	(845)	(145,789)
Total comprehensive income	-	-	-	(28,660)	(28,660)	(144,461)	(483)	(144,944)	(173,604)	(5,674)	(179,278)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	9,050	9,050
Changes in ownership interests of subsidiaries	-	6,324	-	-	-	-	-	-	6,324	(6,324)	-
Compensation cost arising from employee stock options	-	113	-	-	-	-	-	-	113	7	120
Exercise of employee stock options	150	91	-	-	-	-	-	-	241	-	241
Balance at March 31, 2017	\$ 1,302,494	825,623	7,835	105,090	112,925	4,535	(5,313)	(778)	2,240,264	32,258	2,272,522

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Three Months Ended March 31, 2017 And 2016
(Expressed in Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2017	2016
Cash flows from (used in) operating activities :		
Net loss before tax	\$ (29,728)	(72,912)
Adjustments :		
Adjustments to reconcile profit		
Depreciation expense	61,330	66,011
Amortization expense	2,340	2,824
Amortization of long-term rent prepayment	284	313
Interest expense	2,864	6,603
Interest income	(1,501)	(487)
Share-based payments	120	214
Loss on disposal of property, plan and equipment	204	2,309
Property, plan and equipment transferred to expenses	30	1,171
Total adjustments to reconcile profit	<u>65,671</u>	<u>78,958</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease in accounts receivable	303,916	38,698
Decrease (increase) in inventories	(11,585)	62,438
Decrease in other financial assets– current	1,678	2,957
Decrease (increase) in other current assets	(7,301)	21,618
Total changes in operating assets	<u>286,708</u>	<u>467,711</u>
Changes in operating liabilities :		
Decrease in notes and accounts payable	(54,982)	(222,467)
Decrease in other payable	(110,300)	(101,131)
Decrease in other current liabilities	(12,116)	(18,369)
Decrease in net defined benefit liability	(10,366)	(12,443)
Total changes in operating liabilities	<u>(187,764)</u>	<u>(354,410)</u>
Total changes in operating assets and liabilities	<u>98,944</u>	<u>113,301</u>
Total adjustments	<u>164,615</u>	<u>192,259</u>
Cash inflow generated from operations	<u>134,887</u>	<u>119,347</u>
Income taxes paid	<u>(25,564)</u>	<u>(14,470)</u>
Net cash flows from operating activities	<u>109,323</u>	<u>104,877</u>
Cash flows from (used in) investing activities :		
Acquisition of property, plant and equipment	(33,183)	(38,280)
Proceeds from disposal of property, plant and equipment	1,491	-
Acquisition of intangible assets	(320)	(8,048)
Decrease in other financial assets-current	8,086	30,380
Decrease (increase) in other financial assets-non-current	1,164	(4,229)
Decrease in other non-current assets	14,879	9,433
Interest received	1,475	659
Net cash flows used in investing activities	<u>(6,408)</u>	<u>(10,085)</u>
Cash flows from (used in) financing activities :		
Increase in short-term loans	839,033	1,543,516
Repayments of short-term loans	(850,677)	(1,619,374)
Proceeds from long-term debt	180,000	-
Repayments of long-term debt	(6,250)	(7,500)
Increase in other non-current liabilities	-	51
Changes in non-controlling interests	9,050	-
Exercise of employee stock options	241	-
Interest paid	(3,375)	(6,846)
Net cash flows from (used in) financing activities	<u>168,022</u>	<u>(90,153)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(43,759)</u>	<u>(30,080)</u>
Net increase in cash and cash equivalents	<u>227,178</u>	<u>(25,441)</u>
Cash and cash equivalents at beginning of period	<u>783,999</u>	<u>902,987</u>
Cash and cash equivalents at end of period	<u><u>\$ 1,011,177</u></u>	<u><u>877,546</u></u>