

**MEGAFORCE CO., LTD.
AND SUBSIDIARIES**
**Consolidated Financial Statements for the
Six Months Ended June 30, 2017 and 2016
(Reviewed , Not Audited)**

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MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
June 30, 2017, December 31, And June 30, 2016
(Expressed in Thousands of New Taiwan Dollars)

		2017.6.30		2016.12.31		2016.6.30				2017.6.30		2016.12.31		2016.6.30										
		(Reviewed)		(Audited)		(Reviewed)				(Reviewed)		(Audited)		(Reviewed)										
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%									
ASSETS																								
Current assets																								
1100	Cash and cash equivalents	\$	1,035,258	23	783,999	18	752,401	16	2100	Short-term borrowings	\$	598,565	14	560,479	12	785,172	17							
1170	Notes and accounts receivable, net		1,513,449	34	1,604,964	36	1,519,530	33	2170	Notes and accounts payable		549,745	12	532,994	12	457,197	10							
1310	Inventories		592,983	13	587,573	13	513,693	11	2200	Other payables		517,100	12	568,879	13	563,210	12							
1476	Other financial assets-current		30,399	1	49,433	1	206,141	5	2220	Other payables to related parties		-	-	-	-	10,000	-							
1479	Other current assets		49,221	1	33,517	1	28,285	1	2230	Current tax liabilities		12,820	-	31,782	1	32,856	1							
Total current assets			3,221,310	72	3,059,486	69	3,020,050	66	2399	Other current liabilities		91,499	2	80,469	2	63,067	2							
Non-current assets																								
1523	Available-for-sale financial assets-non-current		3,596	-	5,702	-	6,489	-	2360	Net defined benefit liability - current		105,270	2	117,944	3	95,275	2							
1543	Non-current financial assets at cost, net		749	-	749	-	1,731	-	2322	Long-term borrowings, current portion		24,000	1	25,000	-	45,000	1							
Total current liabilities			1,898,999	43	1,917,547	43	2,051,777	45	Non-current liabilities															
1600	Property, plant and equipment		1,042,471	23	1,153,011	26	1,291,345	28	2540	Long-term borrowings		150,000	3	12,500	1	25,000	1							
1780	Intangible assets		39,772	1	44,097	1	58,182	1	2640	Net defined benefit liability-non-current		56,312	1	54,519	1	62,325	1							
1840	Deferred tax assets		72,550	2	74,990	2	130,326	3	2670	Other non-current liabilities		10,105	-	10,131	-	9,696	-							
1980	Other financial assets-non-current		12,299	-	13,281	-	16,038	-	Total non-current liabilities			216,417	4	77,150	2	97,021	2							
1990	Other non-current assets		65,369	2	85,770	2	60,743	2	Total liabilities			2,115,416	47	1,994,697	45	2,148,798	47							
Total non-current assets			1,236,806	28	1,377,600	31	1,564,854	34	Equity attributable to owners of parent															
									3100	Capital stock		1,302,494	29	1,302,344	29	1,302,344	28							
									3200	Capital surplus		825,734	19	819,095	19	819,191	18							
									3300	Retained earnings(accumulated deficit)		123,922	3	141,585	3	5,702	-							
									3400	Other equity interest		62,866	1	144,166	3	257,734	6							
									Total equity attributable to owners of parent			2,315,016	52	2,407,190	54	2,384,971	52							
									Non-controlling interests															
									36XX	Non-controlling interests		27,684	1	35,199	1	51,135	1							
									Total equity			2,342,700	53	2,442,389	55	2,436,106	53							
TOTAL ASSETS			\$4,458,116	100	4,437,086	100	4,584,904	100	TOTAL LIABILITIES AND EQUITY			\$4,458,116	100	4,437,086	100	4,584,904	100							

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
For The Six Months Ended June 30, 2017 And 2016
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)
(Reviewed, Not Audited)

	Three Months Ended June 30				Six Months Ended June 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	\$ 1,274,150	100	1,261,496	100	2,350,663	100	2,358,958	100
5000 Operating costs	1,081,391	85	1,042,883	83	2,033,706	87	2,054,106	87
Gross profit from operations	192,759	15	218,613	17	316,957	13	304,852	13
Operating expenses :								
6100 Selling expenses	27,193	2	24,498	2	50,288	2	48,739	2
6200 Administrative expenses	95,630	8	91,659	7	191,089	8	177,342	8
6300 Research and development expenses	28,944	2	39,752	3	58,173	2	76,920	3
Total operating expenses	151,767	12	155,909	12	299,550	12	303,001	13
Net operating income	40,992	3	62,704	5	17,407	1	1,851	-
Non-operating income and expenses :								
7101 Interest income	2,035	-	2,264	-	3,536	-	2,751	-
7020 Other gains and losses	(5,505)	-	7,576	1	(10,285)	(1)	1,633	-
7510 Finance costs	(3,465)	-	(5,268)	(1)	(6,329)	-	(11,871)	-
	(6,935)	-	4,572	-	(13,078)	(1)	(7,487)	-
7900 Income (loss) before tax	34,057	3	67,276	5	4,329	-	(5,636)	-
7950 Tax expense	13,723	1	(42,606)	(3)	9,962	1	(40,918)	(2)
Net income (loss)	47,780	4	24,670	2	14,291	1	(46,554)	(2)
8300 Other comprehensive income (loss) :								
8360 Components of other comprehensive income that will be reclassified to profit or loss :								
8361 Exchange differences on translation	58,640	5	(68,491)	(6)	(86,666)	(4)	(117,875)	(5)
8362 Unrealized loss on valuation of available-for-financial assets	5,313	-	(461)	-	4,830	-	(2,169)	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
8300 Other comprehensive loss (income), net	63,953	5	(68,952)	(6)	(81,836)	(4)	(120,044)	(5)
8500 Total comprehensive loss (income)	<u>\$ 111,733</u>	<u>9</u>	<u>(44,282)</u>	<u>(4)</u>	<u>(67,545)</u>	<u>(3)</u>	<u>(166,598)</u>	<u>(7)</u>
Net income (loss), attributable to :								
8610 Owners of parent	\$ 52,672	4	30,291	2	24,012	1	(34,164)	(1)
8620 Non-controlling interests	(4,892)	-	(5,621)	-	(9,721)	-	(12,390)	(1)
	<u>\$ 47,780</u>	<u>4</u>	<u>24,670</u>	<u>2</u>	<u>14,291</u>	<u>1</u>	<u>(46,554)</u>	<u>(2)</u>
Comprehensive loss attributable to :								
8710 Owners of parent	\$ 116,316	9	(38,095)	(3)	(57,288)	(2)	(153,179)	(6)
8720 Non-controlling interests	(4,583)	-	(6,187)	(1)	(10,257)	(1)	(13,419)	(1)
	<u>\$ 111,733</u>	<u>9</u>	<u>(44,282)</u>	<u>(4)</u>	<u>(67,545)</u>	<u>(3)</u>	<u>(166,598)</u>	<u>(7)</u>
Earnings per share (expressed in dollars) :								
9710 Basic earnings (loss) per share	<u>\$ 0.40</u>		<u>0.23</u>		<u>0.18</u>		<u>(0.26)</u>	
9810 Diluted earnings (loss) per share	<u>\$ 0.40</u>		<u>0.23</u>		<u>0.18</u>		<u>(0.26)</u>	

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For The Six Months Ended June 30, 2017 And 2016
(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			
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	-	-	-	(34,164)	(34,164)	-	-	-	(34,164)	(12,390)	(46,554)
Other comprehensive loss	-	-	-	-	-	(116,846)	(2,169)	(119,015)	(119,015)	(1,029)	(120,044)
Total comprehensive loss	-	-	-	(34,164)	(34,164)	(116,846)	(2,169)	(119,015)	(153,179)	(13,419)	(166,598)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	7,835	(7,835)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(39,070)	(39,070)	-	-	-	(39,070)	-	(39,070)
Changes in ownership interests of subsidiaries	-	536	-	-	-	-	-	-	536	-	536
Balance at June 30, 2016	\$ 1,302,344	819,191	7,835	(2,133)	5,702	261,777	(4,043)	257,734	2,384,971	51,135	2,436,106
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 income (loss)	-	-	-	24,012	24,012	-	-	-	24,012	(9,721)	14,291
Other comprehensive income (loss)	-	-	-	-	-	(86,130)	4,830	(81,300)	(81,300)	(536)	(81,836)
Total comprehensive income (loss)	-	-	-	24,012	24,012	(86,130)	4,830	(81,300)	(57,288)	(10,257)	(67,545)
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	11,744	(11,744)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(41,675)	(41,675)	-	-	-	(41,675)	-	(41,675)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	9,050	9,050
Changes in ownership interests of subsidiaries	-	6,548	-	-	-	-	-	-	6,548	(6,308)	240
Exercise of employee stock options	150	91	-	-	-	-	-	-	241	-	241
Balance at June 30, 2017	\$ 1,302,494	825,734	19,579	104,343	123,922	62,866	-	62,866	2,315,016	27,684	2,342,700

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Six Months Ended June 30, 2017 And 2016
(Expressed in Thousands of New Taiwan Dollars)
(Reviewed, Not Audited)

	2017	2016
Cash flows from (used in) operating activities :		
Net income (loss) before tax	\$ 4,329	(5,636)
Adjustments :		
Adjustments to reconcile profit		
Depreciation expense	120,552	133,273
Amortization expense	4,436	5,686
Amortization of long-term rent prepayment	563	624
Interest expense	6,329	11,871
Interest income	(3,536)	(2,751)
Share-based payments	240	536
Gain (loss) on disposal of property, plan and equipment	(232)	2,059
Property, plan and equipment transferred to expenses	180	1,171
Impairment loss on financial assets	6,936	1,886
Total adjustments to reconcile profit	135,468	154,355
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease in accounts receivable	48,496	234,258
Decrease (increase) in inventories	(18,054)	32,833
Decrease in other financial assets– current	1,258	3,588
Decrease (increase) in other current assets	(15,588)	24,221
Total changes in operating assets	16,112	294,900
Changes in operating liabilities :		
Increase (decrease) in notes and accounts payable	29,387	(148,397)
Decrease in other payable	(61,900)	(44,156)
Increase (decrease) in other current liabilities	12,976	(10,509)
Decrease in net defined benefit liability	(10,880)	(12,150)
Total changes in operating liabilities	(30,417)	(215,212)
Total changes in operating assets and liabilities	(14,305)	79,688
Total adjustments	121,163	234,043
Cash inflow generated from operations	125,492	228,407
Income taxes paid	(8,667)	(1,603)
Net cash flows from operating activities	116,825	226,804
Cash flows from (used in) investing activities :		
Increase in prepayments for investments	(500)	-
Acquisition of property, plant and equipment	(49,795)	(81,380)
Proceeds from disposal of property, plant and equipment	2,181	989
Acquisition of intangible assets	(320)	(8,848)
Decrease in other financial assets-current	17,053	282,500
Decrease (increase) in other financial assets-non-current	1,241	(8,315)
Increase in other non-current assets	(2,141)	(11,554)
Interest received	3,547	2,872
Net cash flows from (used in) investing activities	(28,734)	176,264
Cash flows from (used in) financing activities :		
Increase in short-term loans	1,707,373	2,636,349
Repayments of short-term loans	(1,663,518)	(3,182,379)
Proceeds from long-term debt	180,000	50,000
Repayments of long-term debt	(43,500)	(15,000)
Increase in other non-current liabilities	-	26
Changes in non-controlling interests	9,050	-
Exercise of employee stock options	241	-
Interest paid	(6,340)	(12,626)
Net cash flows from (used in) financing activities	183,306	(523,630)
Effect of exchange rate changes on cash and cash equivalents	(20,138)	(30,024)
Net increase (decrease) in cash and cash equivalents	251,259	(150,586)
Cash and cash equivalents at beginning of period	783,999	902,987
Cash and cash equivalents at end of period	\$ 1,035,258	752,401