

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

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

		2017.9.30		2016.12.31		2016.9.30				2017.9.30		2016.12.31		2016.9.30			
		(Reviewed)		(Audited)		(Reviewed)				(Reviewed)		(Audited)		(Reviewed)			
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%		
ASSETS																	
Current assets																	
1100	Cash and cash equivalents	\$	1,003,526	21	783,999	18	709,669	16	2100	Short-term borrowings	\$	514,104	11	560,479	12	637,775	14
1170	Notes and accounts receivable, net		1,741,537	37	1,604,964	36	1,661,094	37	2170	Notes and accounts payable		684,754	14	532,994	12	571,083	13
1310	Inventories		664,963	14	587,573	13	593,298	13	2200	Other payables		588,295	12	568,879	13	528,201	12
1476	Other financial assets-current		72,023	1	49,433	1	69,497	1	2220	Other payables to related parties		-	-	-	-	63	-
1479	Other current assets		77,091	2	33,517	1	33,745	1	2230	Current tax liabilities		28,516	1	31,782	1	80,652	2
Total current assets			3,559,140	75	3,059,486	69	3,067,303	68	2399	Other current liabilities		65,038	1	80,469	2	64,490	1
									2360	Net defined benefit liability - current		103,858	2	117,944	3	94,312	2
									2322	Long-term borrowings, current portion		24,000	1	25,000	-	37,500	1
									Total current liabilities			2,008,565	42	1,917,547	43	2,014,076	45
Non-current assets																	
1523	Available-for-sale financial assets-non-current		500	-	5,702	-	6,441	-									
1543	Non-current financial assets at cost, net		-	-	749	-	1,731	-									
1600	Property, plant and equipment		1,002,114	21	1,153,011	26	1,212,978	27	2540	Long-term borrowings		144,000	4	12,500	1	18,750	1
1780	Intangible assets		40,836	1	44,097	1	55,690	1	2640	Net defined benefit liability-non-current		57,209	1	54,519	1	63,581	1
1840	Deferred tax assets		73,542	2	74,990	2	113,349	3	2670	Other non-current liabilities		10,116	-	10,131	-	9,747	-
1980	Other financial assets-non-current		11,570	-	13,281	-	13,813	-				211,325	5	77,150	2	92,078	2
1990	Other non-current assets		71,284	1	85,770	2	56,522	1				2,219,890	47	1,994,697	45	2,106,154	47
Total non-current assets			1,199,846	25	1,377,600	31	1,460,524	32									
LIABILITIES AND STOCKHOLDERS' EQUITY																	
Current liabilities																	
Non-current liabilities																	
Equity attributable to owners of parent																	
3100	Capital stock		1,313,389	28	1,302,344	29	1,302,344	29	3100	Capital stock		1,313,389	28	1,302,344	29	1,302,344	29
3200	Capital surplus		829,164	17	819,095	19	819,511	18	3200	Capital surplus		829,164	17	819,095	19	819,511	18
3300	Retained earnings		275,225	6	141,585	3	79,603	1	3300	Retained earnings		275,225	6	141,585	3	79,603	1
3400	Other equity interest		104,419	2	144,166	3	175,097	4	3400	Other equity interest		104,419	2	144,166	3	175,097	4
									Total equity attributable to owners of parent			2,522,197	53	2,407,190	54	2,376,555	52
Non-controlling interests																	
36XX	Non-controlling interests		16,899	-	35,199	1	45,118	1	36XX	Non-controlling interests		16,899	-	35,199	1	45,118	1
									Total equity			2,539,096	53	2,442,389	55	2,421,673	53
TOTAL ASSETS		\$	4,758,986	100	4,437,086	100	4,527,827	100	TOTAL LIABILITIES AND EQUITY		\$	4,758,986	100	4,437,086	100	4,527,827	100

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

	Three Months Ended September 30				Nine Months Ended September 30			
	2017		2016		2017		2016	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Operating revenue	\$ 1,547,190	100	1,447,359	100	3,897,853	100	3,806,317	100
5000 Operating costs	1,256,168	81	1,118,264	77	3,289,874	84	3,172,370	83
Gross profit from operations	291,022	19	329,095	23	607,979	16	633,947	17
Operating expenses :								
6100 Selling expenses	27,389	2	26,397	2	77,677	2	75,136	2
6200 Administrative expenses	124,142	8	120,935	8	315,231	8	298,277	8
6300 Research and development expenses	28,032	2	34,209	3	86,205	3	111,129	3
Total operating expenses	179,563	12	181,541	13	479,113	13	484,542	13
Net operating income	111,459	7	147,554	10	128,866	3	149,405	4
Non-operating income and expenses :								
7101 Interest income	3,369	-	671	-	6,905	-	3,422	-
7020 Other gains	52,785	4	2,309	-	42,500	1	3,942	-
7510 Finance costs	(3,291)	-	(3,593)	-	(9,620)	-	(15,464)	-
	52,863	4	(613)	-	39,785	1	(8,100)	-
7900 Income before tax	164,322	11	146,941	10	168,651	4	141,305	4
7950 Tax expense	(14,970)	(1)	(78,364)	(5)	(5,008)	-	(119,282)	(3)
Net income	149,352	10	68,577	5	163,643	4	22,023	1
8300 Other comprehensive income (loss) :								
8360 Components of other comprehensive income that will be reclassified to profit or loss :								
8361 Exchange differences on translation	41,763	2	(83,282)	(6)	(44,903)	(1)	(201,157)	(6)
8362 Unrealized loss on valuation of available-for-financial assets	-	-	(48)	-	4,830	-	(2,217)	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
8300 Other comprehensive loss (income), net	41,763	2	(83,330)	(6)	(40,073)	(1)	(203,374)	(6)
8500 Total comprehensive loss (income)	\$ 191,115	12	(14,753)	(1)	123,570	3	(181,351)	(5)
Net income (loss), attributable to :								
8610 Owners of parent	\$ 151,303	10	73,901	5	175,315	4	39,737	1
8620 Non-controlling interests	(1,951)	-	(5,324)	-	(11,672)	-	(17,714)	-
	\$ 149,352	10	68,577	5	163,643	4	22,023	1
Comprehensive loss attributable to :								
8710 Owners of parent	\$ 192,856	12	(8,736)	(1)	135,568	3	(161,915)	(4)
8720 Non-controlling interests	(1,741)	-	(6,017)	-	(11,998)	-	(19,436)	(1)
	\$ 191,115	12	(14,753)	(1)	123,570	3	(181,351)	(5)
Earnings per share (expressed in dollars) :								
9710 Basic earnings per share	\$ 1.16		0.57		1.35		0.31	
9810 Diluted earnings per share	\$ 1.15		0.57		1.34		0.30	

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
For The Nine Months Ended September 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 income (loss)	-	-	-	39,737	39,737	.	.	-	39,737	(17,714)	22,023
Other comprehensive 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)
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	-	856	-	-	-	-	-	-	856	-	856
Balance at September 30, 2016	\$ 1,302,344	819,511	7,835	71,768	79,603	179,188	(4,091)	175,097	2,376,555	45,118	2,421,673
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)	-	-	-	175,315	175,315	.	.	-	175,315	(11,672)	163,643
Other comprehensive income (loss)	-	-	-	-	-	(44,577)	4,830	(39,747)	(39,747)	(326)	(40,073)
Total comprehensive income (loss)	-	-	-	175,315	175,315	(44,577)	4,830	(39,747)	135,568	(11,998)	123,570
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 ownership interests of subsidiaries	-	3,658	-	-	-	-	-	-	3,658	(3,298)	360
Exercise of employee stock options	11,045	6,411	-	-	-	.	.	-	17,456	-	17,456
Non-controlling interests decreased										(3,004)	(3,004)
Balance at September 30, 2017	\$ 1,313,389	829,164	19,579	255,646	275,225	104,419	-	104,419	2,522,197	16,899	2,539,096

MEGAFORCE CO., LTD. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
For The Nine Months Ended September 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 before tax	\$ 168,651	141,305
Adjustments :		
Adjustments to reconcile profit		
Depreciation expense	180,564	198,126
Amortization expense	6,022	8,104
Amortization of long-term rent prepayment	849	921
Interest expense	9,620	15,464
Interest income	(6,905)	(3,422)
Share-based payments	360	856
Loss (gain) on disposal of property, plan and equipment	(2,640)	2,286
Property, plan and equipment transferred to expenses	177	1,203
Impairment loss on property, plan and equipment	-	2,282
Gain on disposal of investments	(55,035)	-
Impairment loss on financial assets	10,532	1,886
Total adjustments to reconcile profit	<u>143,544</u>	<u>227,706</u>
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease (increase) in accounts receivable	(163,385)	48,222
Increase in inventories	(84,523)	(59,463)
Increase in other financial assets-- current	(5,369)	(1,610)
Decrease (increase) in other current assets	(36,736)	17,737
Total changes in operating assets	<u>(290,013)</u>	<u>4,886</u>
Changes in operating liabilities :		
Increase (decrease) in notes and accounts payable	158,409	(21,604)
Increase (decrease) in other payable	55,559	(10,392)
Increase in other payable to related parties	-	63
Decrease in other current liabilities	(11,787)	(7,372)
Decrease in net defined benefit liability	(11,396)	(11,857)
Total changes in operating liabilities	<u>190,785</u>	<u>(51,162)</u>
Total changes in operating assets and liabilities	<u>(99,228)</u>	<u>(46,276)</u>
Total adjustments	<u>44,316</u>	<u>181,430</u>
Cash inflow generated from operations	<u>212,967</u>	<u>322,735</u>
Income taxes paid	<u>(17,178)</u>	<u>(16,794)</u>
Net cash flows from operating activities	<u>195,789</u>	<u>305,941</u>
Cash flows from (used in) investing activities :		
Acquisition of available-for-sale financial assets	(500)	-
Sale of investments	49,148	-
Acquisition of property, plant and equipment	(77,439)	(175,952)
Proceeds from disposal of property, plant and equipment	12,387	2,496
Acquisition of intangible assets	(3,665)	(9,020)
Decrease (increase) in other financial assets-current	(17,803)	423,475
Decrease (increase) in other financial assets-non-current	1,313	(6,461)
Decrease (increase) in other non-current assets	(8,983)	43,393
Interest received	6,895	3,700
Net cash flows from (used in) investing activities	<u>(38,647)</u>	<u>281,631</u>
Cash flows from (used in) financing activities :		
Increase in short-term loans	2,569,223	3,271,022
Repayments of short-term loans	(2,609,442)	(3,961,256)
Proceeds from long-term debt	180,000	50,000
Repayments of long-term debt	(49,500)	(28,750)
Decrease in other payable to related parties	-	(10,000)
Increase in other non-current liabilities	-	122
Cash dividends paid	(41,675)	(39,070)
Changes in non-controlling interests	9,050	-
Exercise of employee stock options	17,456	-
Interest paid	(10,116)	(16,606)
Net cash flows from (used in) financing activities	<u>64,996</u>	<u>(734,538)</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(2,611)</u>	<u>(46,352)</u>
Net increase (decrease) in cash and cash equivalents	<u>219,527</u>	<u>(193,318)</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>\$ 1,003,526</u>	<u>709,669</u>