

**MEGAFORCE CO., LTD.  
AND SUBSIDIARIES  
Consolidated Financial Statements for the  
DECEMBER 31, 2017 AND 2016**

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**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**DECEMBER 31, 2017 AND 2016**  
(Expressed in Thousands of New Taiwan Dollars)

		<b>2017.12.31</b>		<b>2016.12.31</b>				<b>2017.12.31</b>		<b>2016.12.31</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	\$ 989,371	21	\$ 783,999	18	2100	Short-term borrowings	\$ 412,223	9	\$ 560,479	12
1170	Notes and accounts receivable, net	1,834,894	38	1,604,964	36	2170	Notes and accounts payable	617,823	13	532,994	12
1310	Inventories	643,736	14	587,573	13	2200	Other payables	734,152	15	568,879	13
1476	Other financial assets - current	71,134	1	49,433	1	2230	Current tax liabilities	57,314	1	31,782	1
1479	Other current assets	64,935	1	33,517	1	2360	Net defined benefit liability - current	118,124	2	117,944	3
<b>Total current assets</b>		<b>3,604,070</b>	<b>75</b>	<b>3,059,486</b>	<b>69</b>	2399	Other current liabilities	57,639	1	80,469	2
<b>Non-current assets</b>						2322	Long-term borrowings, current portion	24,000	1	25,000	-
1523	Available-for-sale financial assets-non-current	500	-	5,702	-	<b>Total current liabilities</b>		<b>2,021,275</b>	<b>42</b>	<b>1,917,547</b>	<b>43</b>
1543	Non-current financial assets at cost, net	-	-	749	-	<b>Non-current liabilities</b>					
1600	Property, plant and equipment	997,932	21	1,153,011	26	2540	Long-term borrowings	138,000	3	12,500	1
1780	Intangible assets	45,175	1	44,097	1	2640	Net defined benefit liability - non-current	39,428	1	54,519	1
1840	Deferred tax assets	82,812	2	74,990	2	2670	Other non-current liabilities	1,084	-	10,131	-
1980	Other financial assets - non-current	11,574	-	13,281	-	<b>Total non-current liabilities</b>		<b>178,512</b>	<b>4</b>	<b>77,150</b>	<b>2</b>
1990	Other non-current assets	56,992	1	85,770	2	<b>Total liabilities</b>		<b>2,199,787</b>	<b>46</b>	<b>1,994,697</b>	<b>45</b>
<b>Total non-current assets</b>		<b>1,194,985</b>	<b>25</b>	<b>1,377,600</b>	<b>31</b>	<b>Equity attributable to owners of parent</b>					
						3100	Capital stock	1,315,129	27	1,302,344	29
						3200	Capital surplus	829,909	17	819,095	19
						3300	Retained earnings	319,464	7	141,585	3
						3400	Other equity interest	118,595	3	144,166	3
						<b>Total equity attributable to owners of parent</b>		<b>2,583,097</b>	<b>54</b>	<b>2,407,190</b>	<b>54</b>
						<b>Non-controlling interests</b>					
						36XX	Non-controlling interests	16,171	-	35,199	1
						<b>Total equity</b>		<b>2,599,268</b>	<b>54</b>	<b>2,442,389</b>	<b>55</b>
						<b>TOTAL LIABILITIES AND EQUITY</b>		<b>\$ 4,799,055</b>	<b>100</b>	<b>\$ 4,437,086</b>	<b>100</b>
<b>TOTAL ASSETS</b>		<b>\$ 4,799,055</b>	<b>100</b>	<b>\$ 4,437,086</b>	<b>100</b>						

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)

	<b>2017</b>		<b>2016</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
4000 <b>Operating revenue</b>	\$ 5,384,067	100	\$ 5,170,334	100
5000 <b>Operating costs</b>	4,537,751	84	4,261,219	82
<b>Gross profit from operations</b>	846,316	16	909,115	18
<b>Operating expenses :</b>				
6100 Selling expenses	105,066	2	98,798	2
6200 Administrative expenses	420,276	8	416,752	8
6300 Research and development expenses	113,795	2	137,284	3
<b>Total operating expenses</b>	639,137	12	652,834	13
<b>Net operating income</b>	207,179	4	256,281	5
<b>Non-operating income and expenses :</b>				
7101 Interest income	8,073	-	4,598	-
7020 Other gains and losses	43,746	1	(2,101)	-
7510 Finance costs	(12,363)	-	(18,508)	-
	39,456	1	(16,011)	-
7900 <b>Income before tax</b>	246,635	5	240,270	5
7950 <b>Tax expense</b>	(42,576)	(1)	(146,201)	(3)
<b>Net income</b>	204,059	4	94,069	2
8300 <b>Other comprehensive income (loss) :</b>				
8310 <b>Components of other comprehensive income that will not reclassified to profit or loss :</b>				
8311 Gains (losses) on remeasurements of defined benefit plans	3,000	-	(14,276)	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	(1,441)	-
	3,000	-	(15,717)	-
8360 <b>Components of other comprehensive income that will be reclassified to profit or loss :</b>				
8361 Exchange differences on translation	(30,620)	(1)	(231,160)	(5)
8362 Unrealised gains (losses) on valuation of available-for-sale financial assets	4,830	-	(2,956)	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-
	(25,790)	(1)	(234,116)	(5)
8300 <b>Other comprehensive income, net</b>	(22,790)	(1)	(249,833)	(5)
8500 <b>Total comprehensive income (loss)</b>	<b>\$ 181,269</b>	<b>3</b>	<b>\$ (155,764)</b>	<b>(3)</b>
<b>Net income (loss) attribute to :</b>				
8610 Owners of parent	216,554	4	117,436	2
8620 Non-controlling interests	(12,495)	-	(23,367)	-
	<b>\$ 204,059</b>	<b>4</b>	<b>\$ 94,069</b>	<b>2</b>
<b>Comprehensive income (loss) attributable to :</b>				
8710 Owners of parent	193,983	3	(130,864)	(3)
8720 Non-controlling interests	(12,714)	-	(24,900)	-
	<b>\$ 181,269</b>	<b>3</b>	<b>\$ (155,764)</b>	<b>(3)</b>
<b>Earnings per share :</b>				
9710 <b>Basic earnings per share</b>	<b>\$ 1.66</b>		<b>\$ 0.90</b>	
9810 <b>Diluted earnings per share</b>	<b>\$ 1.65</b>		<b>\$ 0.90</b>	

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
**(Expressed in Thousands of New Taiwan Dollars)**

	Equity Attributable to Owners of Parent										
	Common Stock	Capital Surplus	Retained Earnings			Other Equity Interest			Total Equity Attributable to Owners of Parent	Non-controlling Interests	Total Equity
			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, 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
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)
Net income (loss)	-	-	-	117,436	117,436	-	-	-	117,436	(23,367)	94,069
Other comprehensive 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)
Changes in ownership interests of subsidiaries	-	440	-	-	-	-	-	-	440	-	440
Non-controlling interests decreased	-	-	-	-	-	-	-	-	-	(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>
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)
Net income (loss)	-	-	-	216,554	216,554	-	-	-	216,554	(12,495)	204,059
Other comprehensive income (loss)	-	-	-	3,000	3,000	(30,401)	4,830	(25,571)	(22,571)	(219)	(22,790)
Total comprehensive income (loss)	-	-	-	219,554	219,554	(30,401)	4,830	(25,571)	193,983	(12,714)	181,269
Changes in ownership interests of subsidiaries	-	3,394	-	-	-	-	-	-	3,394	(3,310)	84
Exercise of employee stock options	12,785	7,420	-	-	-	-	-	-	20,205	-	20,205
Non-controlling interests decreased	-	-	-	-	-	-	-	-	-	(3,004)	(3,004)
<b>Balance, December 31, 2017</b>	<b>\$ 1,315,129</b>	<b>829,909</b>	<b>19,579</b>	<b>299,885</b>	<b>319,464</b>	<b>118,595</b>	<b>-</b>	<b>118,595</b>	<b>2,583,097</b>	<b>16,171</b>	<b>2,599,268</b>

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016**  
(Expressed in Thousands of New Taiwan Dollars)

	2017	2016
<b>Cash flows from (used in) operating activities :</b>		
Net income before tax	\$246,635	\$240,270
<b>Adjustments :</b>		
Adjustments to reconcile profit		
Depreciation expense	232,465	262,232
Amortization expense	9,469	11,049
Amortization of long-term rent prepayment	1,135	1,212
Interest expense	12,363	18,508
Interest income	(8,073)	(4,598)
Share-based payments	84	440
Loss (gain) on disposal of property, plan and equipment	(5,255)	8,321
Property, plan and equipment transferred to expenses	176	1,203
Gain on disposal of investments	(55,035)	-
Impairment loss on non-financial assets	-	11,993
Impairment loss on financial assets	10,532	2,868
Total adjustments to reconcile profit	197,861	313,228
Changes in operating assets and liabilities :		
Changes in operating assets :		
Increase (decrease) in accounts receivable	(244,950)	86,332
Decrease in inventories	(59,405)	(58,803)
Increase (decrease) in other financial assets— current	(512)	835
Increase (decrease) in other current assets	(35,536)	17,526
Total changes in operating assets	(340,403)	45,890
Changes in operating liabilities :		
Increase (decrease) in notes and accounts payable	87,032	(54,155)
Increase in other payable	162,461	42,650
Increase (decrease) in other current liabilities	(19,257)	9,197
Decrease in net defined benefit liability	(11,911)	(11,563)
Total changes in operating liabilities	218,325	(13,871)
Total changes in operating assets and liabilities	(122,078)	32,019
Total adjustments	75,783	345,247
Cash inflow generated from operations	322,418	585,517
Income taxes paid	(34,078)	(55,914)
<b>Net cash flows from operating activities</b>	<b>288,340</b>	<b>529,603</b>
<b>Cash flows from (used in) investing activities :</b>		
Acquisition of available-for-sale financial assets	(500)	-
Sale of investments	49,148	-
Decrease in prepayments for investments	7,064	-
Acquisition of property, plant and equipment	(88,980)	(208,517)
Proceeds from disposal of property, plant and equipment	15,368	6,592
Acquisition of intangible assets	(10,998)	(12,424)
Decrease (increase) in other financial assets-current	(21,592)	440,945
Decrease (increase) in other financial assets-non-current	981	(6,085)
Decrease (increase) in other non-current assets	(2,552)	13,290
Interest received	8,083	4,816
<b>Net cash flows from (used in) investing activities</b>	<b>(43,978)</b>	<b>238,617</b>
<b>Cash flows from (used in) financing activities :</b>		
Increase in short-term loans	3,322,459	3,892,949
Repayments of short-term loans	(3,463,117)	(4,673,092)
Proceeds from long-term debt	180,000	50,000
Repayments of long-term debt	(55,500)	(47,500)
Decrease in other payable to related parties	-	(10,000)
Increase in other non-current liabilities	9	425
Cash dividends paid	(41,675)	(39,070)
Changes in non-controlling interests	9,050	-
Exercise of employee stock options	20,205	-
Interest paid	(12,906)	(19,123)
Changes in non-controlling interests	-	(4,455)
<b>Net cash flows from financing activities</b>	<b>(41,475)</b>	<b>(849,866)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2,485</b>	<b>(37,342)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>205,372</b>	<b>(118,988)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>783,999</b>	<b>902,987</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 989,371</b>	<b>\$ 783,999</b>