

**MEGAFORCE CO., LTD.  
AND SUBSIDIARIES**  
**Consolidated Financial Statements for the  
Three Months Ended March 31, 2018 and 2017  
(Reviewed , Not Audited)**

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|   | 2018.3.31          |            | 2017.12.31       |            | 2017.3.31        |            |      |  | 2018.3.31          |            | 2017.12.31       |            | 2017.3.31        |            |
|---|--------------------|------------|------------------|------------|------------------|------------|------|--|--------------------|------------|------------------|------------|------------------|------------|
|   | (Reviewed)         |            | (Audited)        |            | (Reviewed)       |            |      |  | (Reviewed)         |            | (Audited)        |            | (Reviewed)       |            |
|   | Amount             | %          | Amount           | %          | Amount           | %          |      |  | Amount             | %          | Amount           | %          | Amount           | %          |
| <b>ASSETS</b>   |                    |            |                  |            |                  |            |      |  |                    |            |                  |            |                  |            |
| <b>Current assets</b>   |                    |            |                  |            |                  |            |      |  |                    |            |                  |            |                  |            |
| Cash and cash equivalents   | \$ 1,259,076       | 27         | \$ 989,371       | 21         | 1,011,177        | 24         | 2100 | Short-term borrowings                                | \$ 696,784         | 15         | 412,223          | 9          | 538,192          | 13         |
| Current financial assets at fair value through profit or loss                 | 104,421            | 2          | -                | -          | -                | -          | 2170 | Notes and accounts payable                           | 462,362            | 10         | 617,823          | 13         | 455,847          | 11         |
| Notes and accounts receivable, net  | 1,296,475          | 28         | 1,834,894        | 38         | 1,233,294        | 30         | 2200 | Other payables                                       | 510,574            | 11         | 734,152          | 15         | 431,557          | 10         |
| Inventories   | 632,807            | 14         | 643,736          | 14         | 576,355          | 14         | 2230 | Current tax liabilities                              | 15,233             | -          | 57,314           | 1          | 9,407            | -          |
| Other financial assets-current  | 74,209             | 2          | 71,134           | 1          | 38,656           | 1          | 2322 | Long-term borrowings, current portion                | 24,000             | 1          | 24,000           | 1          | 49,000           | 1          |
| Other current assets  | 60,291             | 1          | 64,935           | 1          | 39,766           | 1          | 2360 | Net defined benefit liability - current              | 106,412            | 2          | 118,124          | 2          | 106,682          | 3          |
| <b>Total current assets</b>   | <b>3,427,279</b>   | <b>74</b>  | <b>3,604,070</b> | <b>75</b>  | <b>2,899,248</b> | <b>70</b>  | 2399 | Other current liabilities                            | 82,571             | 2          | 57,639           | 1          | 64,777           | 2          |
|   |                    |            |                  |            |                  |            |      | <b>Total current liabilities</b>                     | <b>1,897,936</b>   | <b>41</b>  | <b>2,021,275</b> | <b>42</b>  | <b>1,655,462</b> | <b>40</b>  |
| <b>Non-current assets</b>   |                    |            |                  |            |                  |            |      | <b>Non-current liabilities</b>                       |                    |            |                  |            |                  |            |
| Non-current financial assets at fair value through other comprehensive income | 500                | -          | -                | -          | -                | -          | 2540 | Long-term borrowings                                 | 132,000            | 3          | 138,000          | 3          | 162,250          | 4          |
| Non-current available-for-sale financial assets                               | -                  | -          | 500              | -          | 5,219            | -          | 2640 | Net defined benefit liability-non-current            | 40,349             | 1          | 39,428           | 1          | 55,415           | 1          |
| Non-current financial assets at cost, net                                     | -                  | -          | -                | -          | 749              | -          | 2670 | Other non-current liabilities                        | 1,094              | -          | 1,084            | -          | 10,090           | -          |
| Property, plant and equipment   | 1,016,274          | 22         | 997,932          | 21         | 1,057,453        | 25         |      | <b>Total non-current liabilities</b>                 | <b>173,443</b>     | <b>4</b>   | <b>178,512</b>   | <b>4</b>   | <b>227,755</b>   | <b>5</b>   |
| Intangible assets   | 41,677             | 1          | 45,175           | 1          | 41,790           | 1          |      | <b>Total liabilities</b>                             | <b>2,071,379</b>   | <b>45</b>  | <b>2,199,787</b> | <b>46</b>  | <b>1,883,217</b> | <b>45</b>  |
| Deferred tax assets   | 83,624             | 2          | 82,812           | 2          | 71,080           | 2          |      |  |                    |            |                  |            |                  |            |
| Other non-current financial assets  | 11,634             | -          | 11,574           | -          | 12,063           | -          |      |  |                    |            |                  |            |                  |            |
| Other non-current assets  | 63,515             | 1          | 56,992           | 1          | 68,137           | 2          |      |  |                    |            |                  |            |                  |            |
| <b>Total non-current assets</b>   | <b>1,217,224</b>   | <b>26</b>  | <b>1,194,985</b> | <b>25</b>  | <b>1,256,491</b> | <b>30</b>  |      |  |                    |            |                  |            |                  |            |
|   |                    |            |                  |            |                  |            |      | <b>Equity attributable to owners of parent</b>       |                    |            |                  |            |                  |            |
|   |                    |            |                  |            |                  |            | 3100 | Capital stock  | 1,319,749          | 29         | 1,315,129        | 27         | 1,302,494        | 31         |
|   |                    |            |                  |            |                  |            | 3200 | Capital surplus                                      | 831,521            | 18         | 829,909          | 17         | 825,623          | 20         |
|   |                    |            |                  |            |                  |            | 3300 | Retained earnings(accumulated deficit)               | 250,582            | 5          | 319,464          | 7          | 112,925          | 3          |
|   |                    |            |                  |            |                  |            | 3400 | Other equity interest                                | 152,590            | 3          | 118,595          | 3          | (778)            | -          |
|   |                    |            |                  |            |                  |            |      | <b>Total equity attributable to owners of parent</b> | <b>2,554,442</b>   | <b>55</b>  | <b>2,583,097</b> | <b>54</b>  | <b>2,240,264</b> | <b>54</b>  |
|   |                    |            |                  |            |                  |            | 36XX | <b>Non-controlling interests</b>                     | <b>18,682</b>      | <b>-</b>   | <b>16,171</b>    | <b>-</b>   | <b>32,258</b>    | <b>1</b>   |
|   |                    |            |                  |            |                  |            |      | <b>Total equity</b>                                  | <b>2,573,124</b>   | <b>55</b>  | <b>2,599,268</b> | <b>54</b>  | <b>2,272,522</b> | <b>55</b>  |
| <b>TOTAL ASSETS</b>   | <b>\$4,644,503</b> | <b>100</b> | <b>4,799,055</b> | <b>100</b> | <b>4,155,739</b> | <b>100</b> |      | <b>TOTAL LIABILITIES AND EQUITY</b>                  | <b>\$4,644,503</b> | <b>100</b> | <b>4,799,055</b> | <b>100</b> | <b>4,155,739</b> | <b>100</b> |

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For The Three Months Ended March 31, 2018 And 2017**  
**(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)**  
**(Reviewed, Not Audited)**

|  | <b>2018</b>        |            | <b>2017</b>      |             |
|--|--------------------|------------|------------------|-------------|
|  | <b>Amount</b>      | <b>%</b>   | <b>Amount</b>    | <b>%</b>    |
| 4000 <b>Operating revenue</b>  | \$ 1,050,267       | 100        | \$ 1,076,513     | 100         |
| 5000 <b>Operating costs</b>  | 981,921            | 93         | 952,315          | 88          |
| <b>Gross profit from operations</b>  | 68,346             | 7          | 124,198          | 12          |
| <b>Operating expenses :</b>  |                    |            |                  |             |
| 6100 Selling expenses  | 24,624             | 2          | 23,095           | 2           |
| 6200 Administrative expenses   | 87,893             | 8          | 95,459           | 9           |
| 6300 Research and development expenses   | 25,007             | 3          | 29,229           | 3           |
| 6450 Impairment gain determined in accordance with IFRS 9  | (1,581)            | -          | -                | -           |
| <b>Total operating expenses</b>  | 135,943            | 13         | 147,783          | 14          |
| <b>Net operating loss</b>  | (67,597)           | (6)        | (23,585)         | (2)         |
| <b>Non-operating income and expenses :</b>   |                    |            |                  |             |
| 7100 Interest income   | 1,088              | -          | 1,501            | -           |
| 7020 Other gains and losses  | (4,722)            | -          | (4,780)          | (1)         |
| 7510 Interest expense  | (2,618)            | -          | (2,864)          | -           |
| <b>Total non-operating income and expenses</b>   | (6,252)            | -          | (6,143)          | (1)         |
| 7900 <b>Loss before tax</b>  | (73,849)           | (6)        | (29,728)         | (3)         |
| 7950 <b>Tax revenue (expense)</b>  | 3,823              | -          | (3,761)          | -           |
| <b>Net loss</b>  | (70,026)           | (6)        | (33,489)         | (3)         |
| 8300 <b>Other comprehensive loss, net :</b>  |                    |            |                  |             |
| 8360 <b>Components of other comprehensive income that will be reclassified to profit or loss :</b> |                    |            |                  |             |
| 8361 Exchange differences on translation   | 34,143             | 3          | (145,306)        | (14)        |
| 8362 Unrealised gains (losses) on valuation of available-sale financial assets                     | -                  | -          | (483)            | -           |
| 8399 Income tax relating to components of other  | -                  | -          | -                | -           |
| <b>Other comprehensive income, net</b>   | 34,143             | 3          | (145,789)        | (14)        |
| 8500 <b>Total comprehensive loss</b>   | <b>\$ (35,883)</b> | <b>(3)</b> | <b>(179,278)</b> | <b>(17)</b> |
| <b>Net loss, attributable to :</b>   |                    |            |                  |             |
| 8610 Owners of parent  | \$ (68,882)        | (6)        | (28,660)         | (3)         |
| 8620 Non-controlling interests   | (1,144)            | -          | (4,829)          | -           |
|  | <b>\$ (70,026)</b> | <b>(6)</b> | <b>(33,489)</b>  | <b>(3)</b>  |
| <b>Comprehensive loss attributable to :</b>  |                    |            |                  |             |
| 8710 Owners of parent  | \$ (34,887)        | (3)        | (173,604)        | (16)        |
| 8720 Non-controlling interests   | (996)              | -          | (5,674)          | (1)         |
|  | <b>\$ (35,883)</b> | <b>(3)</b> | <b>(179,278)</b> | <b>(17)</b> |
| <b>Earnings per share (expressed in dollars) :</b>   |                    |            |                  |             |
| 9710 <b>Basic earnings (loss) per share</b>  | <b>\$ (0.52)</b>   |            | <b>(0.22)</b>    |             |
| 9810 <b>Diluted earnings (loss) per share</b>  | <b>\$ (0.52)</b>   |            | <b>(0.22)</b>    |             |

**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**For The Three Months Ended March 31, 2018 And 2017**  
**(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          |   |                           |                  |
| <b>Balance at January 1, 2017</b>               | \$ 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  | -                                       | 6,437           | -             | -                                | -              | -   | -  | -              | 6,437   | (6,317)                   | 120              |
| Exercise of employee stock options              | 150                                     | 91              | -             | -                                | -              | -   | -  | -              | 241   | -                         | 241              |
| <b>Balance at March 31, 2017</b>                | <b>\$ 1,302,494</b>                     | <b>825,623</b>  | <b>7,835</b>  | <b>105,090</b>                   | <b>112,925</b> | <b>4,535</b>  | <b>(5,313)</b>   | <b>(778)</b>   | <b>2,240,264</b>                              | <b>32,258</b>             | <b>2,272,522</b> |
| <b>Balance at January 1, 2018</b>               | \$ 1,315,129                            | 829,909         | 19,579        | 299,885                          | 319,464        | 118,595   | -  | 118,595        | 2,583,097                                     | 16,171                    | 2,599,268        |
| Equity at beginning of period after adjustments | 1,315,129                               | 829,909         | 19,579        | 299,885                          | 319,464        | 118,595   | -  | 118,595        | 2,583,097                                     | 16,171                    | 2,599,268        |
| Net loss  | -                                       | -               | -             | (68,882)                         | (68,882)       | -   | -  | -              | (68,882)                                      | (1,144)                   | (70,026)         |
| Other comprehensive income                      | -                                       | -               | -             | -                                | -              | 33,995  | -  | 33,995         | 33,995  | 148                       | 34,143           |
| Total comprehensive income                      | -                                       | -               | -             | (68,882)                         | (68,882)       | 33,995  | -  | 33,995         | (34,887)                                      | (996)                     | (35,883)         |
| Changes in non-controlling interests            | -                                       | -               | -             | -                                | -              | -   | -  | -              | -   | 2,373                     | 2,373            |
| Changes in ownership interests of subsidiaries  | -                                       | (1,068)         | -             | -                                | -              | -   | -  | -              | (1,068)                                       | 1,134                     | 66               |
| Exercise of employee stock options              | 4,620                                   | 2,680           | -             | -                                | -              | -   | -  | -              | 7,300   | -                         | 7,300            |
| <b>Balance at March 31, 2018</b>                | <b>\$ 1,319,749</b>                     | <b>831,521</b>  | <b>19,579</b> | <b>231,003</b>                   | <b>250,582</b> | <b>152,590</b>  | <b>-</b>   | <b>152,590</b> | <b>2,554,442</b>                              | <b>18,682</b>             | <b>2,573,124</b> |

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Three Months Ended March 31, 2018 And 2017**  
**(Expressed in Thousands of New Taiwan Dollars)**  
**(Reviewed, Not Audited)**

|   | 2018                | 2017             |
|---|---------------------|------------------|
| <b>Cash flows from (used in) operating activities :</b>                         |                     |                  |
| Net loss before tax   | \$ (73,849)         | (29,728)         |
| <b>Adjustments :</b>  |                     |                  |
| Adjustments to reconcile profit   |                     |                  |
| Depreciation expense  | 57,527              | 61,330           |
| Amortization expense  | 3,556               | 2,340            |
| Amortization of long-term rent prepayment                                       | 289                 | 284              |
| Expected credit loss / Provision (reversal of provision) for bad debt expense   | (1,581)             | -                |
| Net gain on financial assets at fair value through profit or loss               | (559)               | -                |
| Interest expense  | 2,618               | 2,864            |
| Interest income   | (1,088)             | (1,501)          |
| Share-based payments  | 66                  | 120              |
| Loss on disposal of property, plan and equipment                                | 47                  | 204              |
| Property, plan and equipment transferred to expenses                            | 26                  | 30               |
| Total adjustments to reconcile profit   | 60,901              | 65,671           |
| Changes in operating assets and liabilities :                                   |                     |                  |
| Changes in operating assets :   |                     |                  |
| Decrease in accounts receivable   | 555,640             | 303,916          |
| Decrease (increase) in inventories  | 16,687              | (11,585)         |
| Decrease in other financial assets— current                                     | 251                 | 1,678            |
| Decrease (increase) in other current assets                                     | 8,951               | (7,301)          |
| Total changes in operating assets   | 581,529             | 286,708          |
| Changes in operating liabilities :  |                     |                  |
| Decrease in notes and accounts payable  | (161,117)           | (54,982)         |
| Decrease in other payable   | (276,681)           | (110,300)        |
| Increase (decrease) in other current liabilities                                | 24,424              | (12,116)         |
| Decrease in net defined benefit liability                                       | (10,791)            | (10,366)         |
| Total changes in operating liabilities  | (424,165)           | (187,764)        |
| Total changes in operating assets and liabilities                               | 157,364             | 98,944           |
| Total adjustments   | 218,265             | 164,615          |
| Cash inflow generated from operations   | 144,416             | 134,887          |
| Income taxes paid   | (41,734)            | (25,564)         |
| <b>Net cash flows from operating activities</b>                                 | 102,682             | 109,323          |
| <b>Cash flows from (used in) investing activities :</b>                         |                     |                  |
| Acquisition of financial assets at fair value through profit or loss            | (150,220)           | -                |
| Proceeds from disposal of financial assets at fair value through profit or loss | 46,647              | -                |
| Acquisition of property, plant and equipment                                    | (25,086)            | (33,183)         |
| Proceeds from disposal of property, plant and equipment                         | 326                 | 1,491            |
| Acquisition of intangible assets  | (452)               | (320)            |
| Decrease (increase) in other financial assets-current                           | (2,899)             | 8,086            |
| Decrease in other financial assets-non-current                                  | 143                 | 1,164            |
| Increase in other non-current assets  | -                   | 14,879           |
| Interest received   | 1,035               | 1,475            |
| <b>Net cash flows used in investing activities</b>                              | (130,506)           | (6,408)          |
| <b>Cash flows from (used in) financing activities :</b>                         |                     |                  |
| Increase in short-term loans  | 816,999             | 839,033          |
| Decrease in short-term loans  | (533,170)           | (850,677)        |
| Proceeds from long-term debt  | -                   | 180,000          |
| Repayments of long-term debt  | (6,000)             | (6,250)          |
| Changes in non-controlling interests  | 2,373               | 9,050            |
| Exercise of employee stock options  | 7,300               | 241              |
| Interest paid   | (2,478)             | (3,375)          |
| <b>Net cash flows from financing activities</b>                                 | 285,024             | 168,022          |
| <b>Effect of exchange rate changes on cash and cash equivalents</b>             | 12,505              | (43,759)         |
| <b>Net increase in cash and cash equivalents</b>                                | 269,705             | 227,178          |
| <b>Cash and cash equivalents at beginning of period</b>                         | 989,371             | 783,999          |
| <b>Cash and cash equivalents at end of period</b>                               | <b>\$ 1,259,076</b> | <b>1,011,177</b> |