

**MEGAFORCE CO., LTD.  
AND SUBSIDIARIES**  
**Consolidated Financial Statements for the  
Six Months Ended June 30, 2018 and 2017  
(Reviewed , Not Audited)**

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**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
June 30, 2018, December 31, And June 30, 2017  
(Expressed in Thousands of New Taiwan Dollars)

		2018.6.30		2017.12.31		2017.6.30				2018.6.30		2017.12.31		2017.6.30					
		(Reviewed)		(Audited)		(Reviewed)				(Reviewed)		(Audited)		(Reviewed)					
		Amount	%	Amount	%	Amount	%			Amount	%	Amount	%	Amount	%				
ASSETS																			
Current assets																			
1100	Cash and cash equivalents	\$	1,172,429	25	\$	989,371	21	1,035,258	23	2100	Short-term borrowings	\$	787,485	17	412,223	9	598,565	14	
1136	Current financial assets at amortised cost		322,672	7		-	-	-	-	2130	Current contract liabilities		85,697	2		-	-	-	
1170	Notes and accounts receivable, net		1,258,321	26		1,834,894	38	1,513,449	34	2170	Notes and accounts payable		454,970	10		617,823	13	549,745	12
130X	Inventories		611,247	13		643,736	14	592,983	13	2200	Other payables		600,016	13		734,152	15	517,100	12
1476	Other financial assets-current		85,395	2		71,134	1	30,399	1	2230	Current tax liabilities		16,632	-		57,314	1	12,820	-
1479	Other current assets		72,333	1		64,935	1	49,221	1	2322	Long-term borrowings, current portion		24,000	-		24,000	1	24,000	1
Total current assets			3,522,397	74		3,604,070	75	3,221,310	72	2360	Net defined benefit liability - current		104,550	2		118,124	2	105,270	2
										2399	Other current liabilities		23,619	-		57,639	1	91,499	2
										Total current liabilities			2,096,969	44		2,021,275	42	1,898,999	43
Non-current assets																			
1517	Non-current financial assets at fair value through other comprehensive income		500	-		-	-	-	-	Non-current liabilities									
1523	Non-current available-for-sale financial assets		-	-		500	-	3,596	-	2540	Long-term borrowings		126,000	3		138,000	3	150,000	3
1543	Non-current financial assets at cost, net		-	-		-	-	749	-	2640	Net defined benefit liability-non-current		41,270	1		39,428	1	56,312	1
1551	Investments accounted for using equity method		18,912	-		-	-	-	-	2670	Other non-current liabilities		1,089	-		1,084	-	10,105	-
1600	Property, plant and equipment		977,197	21		997,932	21	1,042,471	23	Total non-current liabilities			168,359	4		178,512	4	216,417	4
1780	Intangible assets		40,211	1		45,175	1	39,772	1	Total liabilities			2,265,328	48		2,199,787	46	2,115,416	47
1840	Deferred tax assets		83,238	2		82,812	2	72,550	2										
1980	Other non-current financial assets		13,020	-		11,574	-	12,299	-										
1990	Other non-current assets		78,748	2		56,992	1	65,369	2										
Total non-current assets			1,211,826	26		1,194,985	25	1,236,806	28										

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
**For The Six Months Ended June 30, 2018 And 2017**  
(Expressed in Thousands of New Taiwan Dollars, Except Earnings Per Share)  
**(Reviewed, Not Audited)**

	Three Months Ended June 30				Six Months Ended June 30			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 <b>Operating revenue</b>	\$ 1,076,546	100	\$ 1,274,150	100	2,126,813	100	2,350,663	100
5000 <b>Operating costs</b>	971,050	90	1,081,391	85	1,952,971	92	2,033,706	87
<b>Gross profit from operations</b>	105,496	10	192,759	15	173,842	8	316,957	13
<b>Operating expenses :</b>								
6100 Selling expenses	23,417	2	27,193	2	48,041	2	50,288	2
6200 Administrative expenses	92,910	9	95,630	8	180,803	8	191,089	8
6300 Research and development expenses	30,459	3	28,944	2	55,466	3	58,173	2
6450 Impairment gain determined in accordance with IFRS 9	(535)	-	-	-	(2,116)	-	-	-
<b>Total operating expenses</b>	146,251	14	151,767	12	282,194	13	299,550	12
<b>Net operating income (loss)</b>	(40,755)	(4)	40,992	3	(108,352)	(5)	17,407	1
<b>Non-operating income and expenses :</b>								
7100 Interest income	7,124	-	2,035	-	8,212	-	3,536	-
7020 Other gains and losses	19,773	2	(5,505)	-	15,051	1	(10,285)	(1)
7375 Share of loss of associates and joint ventures accounted for using equity method	(1,088)	-	-	-	(1,088)	-	-	-
7510 Finance costs	(3,327)	-	(3,465)	-	(5,945)	-	(6,329)	-
	22,482	2	(6,935)	-	16,230	1	(13,078)	(1)
7900 <b>Income (loss) before tax</b>	(18,273)	(2)	34,057	3	(92,122)	(4)	4,329	-
7950 <b>Tax expense</b>	(6,881)	-	13,723	1	(3,058)	-	9,962	1
<b>Net income (loss)</b>	(25,154)	(2)	47,780	4	(95,180)	(4)	14,291	1
8300 <b>Other comprehensive income (loss) :</b>								
8360 Components of other comprehensive income that will be reclassified to profit or loss :								
8361 Exchange differences on translation	(19,205)	(2)	58,640	5	14,938	1	(86,666)	(4)
8362 Unrealized gain on valuation of available-for-sale financial assets	-	-	5,313	-	-	-	4,830	-
8399 Income tax relating to components of other comprehensive income	-	-	-	-	-	-	-	-
<b>Other comprehensive income (loss), net</b>	(19,205)	(2)	63,953	5	14,938	1	(81,836)	(4)
8500 <b>Total comprehensive income (loss)</b>	<b>(44,359)</b>	<b>(4)</b>	<b>111,733</b>	<b>9</b>	<b>(80,242)</b>	<b>(3)</b>	<b>(67,545)</b>	<b>(3)</b>
<b>Net income (loss), attributable to :</b>								
8610 Owners of parent	(24,580)	(2)	52,672	4	(93,462)	(4)	24,012	1
8620 Non-controlling interests	(574)	-	(4,892)	-	(1,718)	-	(9,721)	-
	<b>(25,154)</b>	<b>(2)</b>	<b>47,780</b>	<b>4</b>	<b>(95,180)</b>	<b>(4)</b>	<b>14,291</b>	<b>1</b>
<b>Comprehensive income (loss) attributable to :</b>								
8710 Owners of parent	(43,708)	(4)	116,316	9	(78,595)	(3)	(57,288)	(2)
8720 Non-controlling interests	(651)	-	(4,583)	-	(1,647)	-	(10,257)	(1)
	<b>(44,359)</b>	<b>(4)</b>	<b>111,733</b>	<b>9</b>	<b>(80,242)</b>	<b>(3)</b>	<b>(67,545)</b>	<b>(3)</b>
<b>Earnings per share (expressed in dollars) :</b>								
9710 <b>Basic earnings (loss) per share</b>	<b>(0.19)</b>		<b>0.40</b>		<b>(0.71)</b>		<b>0.18</b>	
9810 <b>Diluted earnings (loss) per share</b>	<b>(0.19)</b>		<b>0.40</b>		<b>(0.71)</b>		<b>0.18</b>	

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
For The Six Months Ended June 30, 2018 And 2017  
(Expressed in Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

Equity Attributable to Owners of Parent											
	Common Stock	Capital Surplus	Retained Earnings			Others			Total Equity Attributable to Owners of Parent	Non-controlling Interests	Total Equity
			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
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)	-	-	-	24,012	24,012	-	-	-	24,012	(9,721)	14,291
Other comprehensive income	-	-	-	-	-	(86,130)	4,830	(81,300)	(81,300)	(536)	(81,836)
Total comprehensive income	-	-	-	24,012	24,012	(86,130)	4,830	(81,300)	(57,288)	(10,257)	(67,545)
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
<b>Balance at June 30, 2017</b>	<b>\$ 1,302,494</b>	<b>825,734</b>	<b>19,579</b>	<b>104,343</b>	<b>123,922</b>	<b>62,866</b>	<b>-</b>	<b>62,866</b>	<b>2,315,016</b>	<b>27,684</b>	<b>2,342,700</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
Appropriation and distribution of retained earnings:											
Legal reserve appropriated	-	-	21,655	(21,655)	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(60,584)	(60,584)	-	-	-	(60,584)	-	(60,584)
Net loss	-	-	-	(93,462)	(93,462)	-	-	-	(93,462)	(1,718)	(95,180)
Other comprehensive income	-	-	-	-	-	14,867	-	14,867	14,867	71	14,938
Total comprehensive income	-	-	-	(93,462)	(93,462)	14,867	-	14,867	(78,595)	(1,647)	(80,242)
Changes in non-controlling interests	-	-	-	-	-	-	-	-	-	2,374	2,374
Changes in ownership interests of subsidiaries	-	(1,004)	-	-	-	-	-	-	(1,004)	1,136	132
Exercise of employee stock options	5,030	2,917	-	-	-	-	-	-	7,947	-	7,947
<b>Balance at June 30, 2018</b>	<b>\$ 1,320,159</b>	<b>831,822</b>	<b>41,234</b>	<b>124,184</b>	<b>165,418</b>	<b>133,462</b>	<b>-</b>	<b>133,462</b>	<b>2,450,861</b>	<b>18,034</b>	<b>2,468,895</b>

**MEGAFORCE CO., LTD. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**For The Six Months Ended June 30, 2018 And 2017**  
(Expressed in Thousands of New Taiwan Dollars)  
(Reviewed, Not Audited)

	2018	2017
<b>Cash flows from operating activities :</b>		
Net income (loss) before tax	(92,122)	4,329
Adjustments :		
Adjustments to reconcile profit		
Depreciation expense	113,682	120,552
Amortization expense	7,262	4,436
Amortization of long-term rent prepayment	581	563
Reversal of expected credit losses	(2,116)	-
Net gain on financial assets at fair value through profit or loss	(337)	-
Interest expense	5,945	6,329
Interest income	(8,212)	(3,536)
Share-based payments	132	240
Share of loss of associates and joint ventures accounted for using equity method	1,088	-
Loss (gain) on disposal of property, plan and equipment	52	(232)
Property, plan and equipment transferred to expenses	26	180
Impairment loss on financial assets	-	6,936
Totoal adjustments to reconcile profit	118,103	135,468
Changes in operating assets and liabilities :		
Changes in operating assets :		
Decrease in accounts receivable	589,520	48,496
Decrease (increase) in inventories	35,288	(18,054)
Decrease (increase) in other financial assets- current	(35,468)	1,258
Increase in other current assets	(850)	(15,588)
Totoal changes in operating assets	588,490	16,112
Changes in operating liabilities :		
Increase (decrease) in notes and accounts payable	(166,552)	29,387
Decrease in other payable	(230,339)	(61,900)
Increase in other current liabilities	52,392	12,976
Decrease in net defined benefit liability	(11,732)	(10,880)
Total changes in operating liabilities	(356,231)	(30,417)
Total changes in operating assets and liabilities	232,259	(14,305)
Total adjustments	350,362	121,163
Cash inflow generated from operations	258,240	125,492
Income taxes paid	(50,423)	(8,667)
<b>Net cash flows from operating activities</b>	207,817	116,825
<b>Cash flows from investing activities :</b>		
Acquisition of financial assets at amortised cost	(429,404)	-
Proceeds from repayments of financial assets at amortised cost	106,001	-
Acquisition of financial assets at fair value through other comprehensive income	(46,022)	-
Proceeds from disposal of financial assets at fair value through comprehensive income	46,647	-
Acquisition of investments accounted for using equity method	(20,000)	-
Increase in prepayments for investments	-	(500)
Acquisition of property, plant and equipment	(80,815)	(49,795)
Proceeds from disposal of property, plant and equipment	368	2,181
Acquisition of intangible assets	(2,725)	(320)
Decrease in other financial assets-current	22,772	17,053
Decrease (increase) in other financial assets-non-current	(1,478)	1,241
Increase in other non-current assets	-	(2,141)
Interest received	6,164	3,547
<b>Net cash flows from (used in) investing activities</b>	(398,492)	(28,734)
<b>Cash flows from (used in) financing activities :</b>		
Increase in short-term loans	2,008,864	1,707,373
Repayments of short-term loans	(1,636,315)	(1,663,518)
Proceeds from long-term debt	-	180,000
Repayments of long-term debt	(12,000)	(43,500)
Changes in non-controlling interests	2,374	9,050
Exercise of employee stock options	7,947	241
Interest paid	(5,684)	(6,340)
<b>Net cash flows from financing activities</b>	365,186	183,306
<b>Effect of exchange rate changes on cash and cash equivalents</b>	8,547	(20,138)
<b>Net increase in cash and cash equivalents</b>	183,058	251,259
<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>\$ 1,172,429</b>	<b>\$ 1,035,258</b>