

Fortune Electric Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2010 and 2009 and
Independent Auditors' Report**

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Fortune Electric Co., Ltd.

We have audited the accompanying balance sheets of the Fortune Electric Co., Ltd. (the Company) as of December 31, 2010 and 2009 and the related statements of income, changes in stockholders' equity, and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Fortune Electric Co., Ltd. as of December 31, 2010 and 2009 and the results of its operations and its cash flows for the years then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

On January 1, 2009, the Company adopted the newly revised SFAS No. 10 "Accounting for Inventories".

February 17, 2011

Notice to Readers

The accompanying financial statements are intended only to present the financial position, results of operations and cash flows in accordance with accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to audit such financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' report and the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the Republic of China. If there is any conflict between the English version and the original Chinese version or any difference in the interpretation of the two versions, the Chinese-language auditors' report and financial statements shall prevail.

FORTUNE ELECTRIC CO., LTD.
BALANCE SHEETS
DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars, Except Par Value)

ASSETS	2010		2009		LIABILITIES AND STOCKHOLDERS' EQUITY	2010		2009	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 25,617	1	\$ 63,547	1	Short-term loans	\$ 219,702	4	\$ 6,355	-
Financial asset at fair value through profit or loss - current	-	-	7,993	-	Accounts payable	905,115	16	714,816	13
Notes receivable	19,938	-	29,636	1	Income tax payable	14,827	-	36,141	1
Accounts receivable, net of allowance of \$8,199 in 2010 and \$8,480 in 2009	1,662,090	30	1,449,878	27	Accrued expenses	195,536	4	195,398	4
Other financial assets - current	43,363	1	15,293	-	Financial liability at fair value through profit or loss - current	334	-	-	-
Inventories, net	1,312,631	23	1,511,944	28	Construction payable	320,048	6	313,508	6
Construction in process in excess of progressive billings	660,197	12	443,577	8	Customers' advances	396,799	7	658,832	12
Prepayments	71,951	1	90,215	2	Progressive billings in excess of construction in progress	-	-	109,987	2
Deferred income tax assets - current	2,738	-	7,537	-	Other current liabilities	72,296	1	25,220	-
Other current assets	48,690	1	26,982	-					
Total current assets	3,847,215	69	3,646,602	67	Total current liabilities	2,124,657	38	2,060,257	38
LONG-TERM INVESTMENTS					RESERVE FOR LAND VALUE INCREMENT TAX	34,528	1	34,528	1
Investments accounted for by the equity method	190,852	3	192,388	3	OTHER LIABILITIES				
Financial asset at fair value through profit or loss - noncurrent	-	-	893	-	Accrued pension cost	138,561	2	100,558	2
Financial assets carried at cost - noncurrent	99,400	2	99,400	2	Other	94,827	2	1,793	-
Total long-term investment	290,252	5	292,681	5	Total other liabilities	233,388	4	102,351	2
PROPERTIES					Total liabilities	2,392,573	43	2,197,136	41
Cost					STOCKHOLDERS' EQUITY				
Land	573,113	10	573,113	11	Capital stock - \$10 par value				
Buildings and equipment	638,012	12	638,012	12	Authorized - 275,000 thousand shares in 2010 and 2009				
Machinery and equipment	1,005,213	18	939,969	17	Issued - 261,059 thousand and 248,627 thousand shares in 2010 and 2009	2,610,585	47	2,486,271	46
Other equipment	73,518	1	74,493	1	Capital surplus				
Total cost	2,289,856	41	2,225,587	41	Additional paid-in capital	3,525	-	3,525	-
Appreciation	130,748	2	130,748	3	Treasury stock transactions	23,613	-	23,613	-
Total cost and appreciation	2,420,604	43	2,356,335	44	Total capital surplus	27,138	-	27,138	-
Accumulated depreciation	993,853	18	927,963	17	Retained earnings				
Prepayment for equipment	790	-	3,971	-	Legal reserve	214,624	4	172,234	3
Net properties	1,427,541	25	1,432,343	27	Unappropriated earnings	358,045	6	500,004	9
DEFERRED PENSION COST	-	-	2,074	-	Total retained earnings	572,669	10	672,238	12
OTHER ASSETS					Others				
Deferred income tax assets - noncurrent	10,027	-	12,054	-	Cumulative translation adjustments	(10,309)	-	1,082	-
Other	22,579	1	34,579	1	Net loss not recognized as pension cost	(61,068)	(1)	(29,558)	-
Total other assets	32,606	1	46,633	1	Unrealized revaluation increment	66,026	1	66,026	1
TOTAL	\$ 5,597,614	100	\$ 5,420,333	100	Total others	(5,351)	-	37,550	1
					Total stockholders' equity	3,205,041	57	3,223,197	59
					TOTAL	\$ 5,597,614	100	\$ 5,420,333	100

(With Deloitte & Touche audit report dated February 17, 2011)

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 4,757,622	90	\$ 5,488,565	89
Sales returns and allowances	<u>130,980</u>	<u>3</u>	<u>967</u>	<u>-</u>
Net sales	4,626,642	87	5,487,598	89
Construction revenue	<u>680,883</u>	<u>13</u>	<u>657,983</u>	<u>11</u>
Net operating revenues	<u>5,307,525</u>	<u>100</u>	<u>6,145,581</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	3,708,217	70	4,030,944	65
Construction cost	<u>669,594</u>	<u>12</u>	<u>900,809</u>	<u>15</u>
Total operating costs	<u>4,377,811</u>	<u>82</u>	<u>4,931,753</u>	<u>80</u>
GROSS PROFIT	<u>929,714</u>	<u>18</u>	<u>1,213,828</u>	<u>20</u>
OPERATING EXPENSES				
Selling expenses	490,382	9	605,197	10
General and administrative expenses	103,706	2	113,566	2
Research and development expenses	<u>78,098</u>	<u>2</u>	<u>69,665</u>	<u>1</u>
Total operating expenses	<u>672,186</u>	<u>13</u>	<u>788,428</u>	<u>13</u>
OPERATING INCOME	<u>257,528</u>	<u>5</u>	<u>425,400</u>	<u>7</u>
NON-OPERATING INCOME AND GAINS				
Interest income	187	-	1,534	-
Investment income recognized under equity method	9,855	-	77,492	1
Exchange gain, net	13,855	-	-	-
Indemnification revenue	34,871	1	5,707	-
Valuation gain on financial assets, net	2,913	-	23,916	-
Miscellaneous income	<u>23,392</u>	<u>-</u>	<u>30,746</u>	<u>1</u>
Total non-operating income and gains	<u>85,073</u>	<u>1</u>	<u>139,395</u>	<u>2</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	5,488	-	16,315	-
Exchange loss, net	-	-	16,564	1
Miscellaneous expenses	<u>766</u>	<u>-</u>	<u>13,465</u>	<u>-</u>
Total non-operating expenses and losses	<u>6,254</u>	<u>-</u>	<u>46,344</u>	<u>1</u>

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2010 AND 2009

(In Thousands of New Taiwan Dollars, Except Earnings Per Share)

	2010		2009	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 336,347	6	\$ 518,451	8
INCOME TAX EXPENSE	<u>62,975</u>	<u>1</u>	<u>94,546</u>	<u>1</u>
NET INCOME	<u>\$ 273,372</u>	<u>5</u>	<u>\$ 423,905</u>	<u>7</u>

	2010		2009	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic	<u>\$ 1.29</u>	<u>\$ 1.05</u>	<u>\$ 1.99</u>	<u>\$ 1.62</u>
Diluted	<u>\$ 1.28</u>	<u>\$ 1.04</u>	<u>\$ 1.97</u>	<u>\$ 1.61</u>

(With Deloitte & Touche audit report dated February 17, 2011)

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FORTUNE ELECTRIC CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2010 AND 2009
(In Thousands of New Taiwan Dollars)

	Capital Stock Issued		Paid-in Capital			Retained Earnings			Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Other Equity		Total Stockholders' Equity	
	Shares (Thousand)	Amount	Additional Paid-in Capital	Treasury Stock Transaction	Total	Legal Reserve	Unappropriated Earnings	Total			(Losses) on Financial Instruments	Unrealized Revaluation Increment		Total
BALANCE, JANUARY 1, 2009	216,197	\$ 2,161,975	\$ 3,525	\$ 23,613	\$ 27,138	\$ 101,770	\$ 730,296	\$ 832,066	\$ 6,567	\$ (42,718)	\$ 10,720	\$ 66,026	\$ 40,595	\$ 3,061,774
Appropriations of 2008 earnings														
Legal reserve	-	-	-	-	-	70,464	(70,464)	-	-	-	-	-	-	-
Cash dividends - 1.2 per share	-	-	-	-	-	-	(259,437)	(259,437)	-	-	-	-	-	(259,437)
Stock dividend - 15%	32,430	324,296	-	-	-	-	(324,296)	(324,296)	-	-	-	-	-	-
Net income for the year ended December 31, 2009	-	-	-	-	-	-	423,905	423,905	-	-	-	-	-	423,905
Change in unrealized losses on hedge derivative financial assets	-	-	-	-	-	-	-	-	-	-	(10,720)	-	(10,720)	(10,720)
Cumulative translation adjustments on long-term investments	-	-	-	-	-	-	-	-	(5,485)	-	-	-	(5,485)	(5,485)
Change in net loss not recognized as pension costs	-	-	-	-	-	-	-	-	-	13,160	-	-	13,160	13,160
BALANCE, DECEMBER 31, 2009	248,627	2,486,271	3,525	23,613	27,138	172,234	500,004	672,238	1,082	(29,558)	-	66,026	37,550	3,223,197
Appropriations of 2009 earnings														
Legal reserve	-	-	-	-	-	42,390	(42,390)	-	-	-	-	-	-	-
Cash dividends - 1 per share	-	-	-	-	-	-	(248,627)	(248,627)	-	-	-	-	-	(248,627)
Stock dividend - 5%	12,432	124,314	-	-	-	-	(124,314)	(124,314)	-	-	-	-	-	-
Net income for the year ended December 31, 2010	-	-	-	-	-	-	273,372	273,372	-	-	-	-	-	273,372
Cumulative translation adjustments on long-term investments	-	-	-	-	-	-	-	-	(11,391)	-	-	-	(11,391)	(11,391)
Change in net loss not recognized as pension costs	-	-	-	-	-	-	-	-	-	(31,510)	-	-	(31,510)	(31,510)
BALANCE, DECEMBER 31, 2010	261,059	\$ 2,610,585	\$ 3,525	\$ 23,613	\$ 27,138	\$ 214,624	\$ 358,045	\$ 572,669	\$ (10,309)	\$ (61,068)	\$ -	\$ 66,026	\$ (5,351)	\$ 3,205,041

(With Deloitte & Touche audit report dated February 17, 2011)

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 273,372	\$ 423,905
Depreciation and amortization	90,688	89,021
Valuation (gain) loss on financial instruments	334	(8,886)
Gain from liquidation	-	(12)
Reversal for bad debt	(281)	(2,719)
Loss on inventory obsolescence	-	462
Provision for (recovery of) loss on inventories	(5,722)	5,741
Investment gain recognized under equity method	(9,855)	(77,492)
Net loss on disposal of properties	116	115
Provision for pension liabilities	8,567	10,355
Deferred income tax	6,826	20,772
Changes in operating assets and liabilities		
Hedge derivative financial assets - current	-	(3,126)
Notes receivable	9,698	(23,652)
Accounts receivable	(211,931)	702,500
Other financial assets - current	(28,070)	91
Inventories	200,410	530,975
Construction in process	(216,620)	111,400
Prepayments	18,264	47,660
Other current assets	(21,708)	16,947
Notes payable	-	(1,212)
Accounts payable	190,299	(128,946)
Income tax payable	(21,314)	(61,926)
Accrued expenses	138	(113,391)
Construction payable	6,540	(43,643)
Customers' advances	(262,033)	36,975
Progressive billings in excess of construction in progress	(109,987)	89,721
Other current liabilities	39,846	17,003
Other liabilities	93,087	-
Net cash provided by operating activities	<u>50,664</u>	<u>1,638,638</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in financial asset at fair value through profit or loss - current	8,886	7,680
Receivable from liquidated investee	-	2,400
Acquisition of properties	(55,876)	(37,633)
Proceeds from sale of properties	138	253
Increase in other assets	<u>(6,409)</u>	<u>(15,811)</u>
Net cash used in investing activities	<u>(53,261)</u>	<u>(43,111)</u>

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2010 AND 2009 (In Thousands of New Taiwan Dollars)

	2010	2009
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	\$ 213,347	\$ (812,861)
Decrease in short-term bills payable	-	(99,958)
Decrease in long-term debts	-	(396,666)
Cash dividends paid	(248,627)	(259,437)
Decrease in guarantee deposits received	<u>(53)</u>	<u>(5,545)</u>
Net cash used in financing activities	<u>(35,333)</u>	<u>(1,574,467)</u>
NET INCREASE IN CASH	(37,930)	21,060
CASH, BEGINNING OF YEAR	<u>63,547</u>	<u>42,487</u>
CASH, END OF YEAR	<u>\$ 25,617</u>	<u>\$ 63,547</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 4,927</u>	<u>\$ 26,068</u>
Income tax paid	<u>\$ 77,463</u>	<u>\$ 135,700</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Transfer other assets to properties	<u>\$ -</u>	<u>\$ 122</u>
Transfer stock distributed by liquidated investee to financial assets carried at cost - noncurrent	<u>\$ -</u>	<u>\$ 29,400</u>
INVESTING ACTIVITIES AFFECTING BOTH CASH AND NON-CASH ITEMS		
Acquisition of property, plant and equipment	\$ 67,731	\$ 47,367
Increase of other current liabilities	(7,230)	-
Transfer inventories to properties	<u>(4,625)</u>	<u>(9,734)</u>
	<u>\$ 55,876</u>	<u>\$ 37,633</u>

(With Deloitte & Touche audit report dated February 17, 2011)

(Concluded)