

Fortune Electric Co., Ltd.

**Financial Statements for the
Three Months Ended March 31, 2008 and 2007 and
Independent Accountants' Review Report**

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

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

We have reviewed the accompanying balance sheets of Fortune Electric Co., Ltd. (the Company) as of March 31, 2008 and 2007, and the related statements of income and cash flows for the three months then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to issue a report on these financial statements based on our reviews.

Except the third paragraph, we conducted our review in accordance with Statements of Auditing Standards No. 36 "Review of Financial Statements" in the Republic of China. A review of interim financial statements consists primarily of applying analytical procedures to financial data and making inquiries of company personnel responsible for financial and accounting matters. It is substantially less in scope than an audit in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

The carrying values of the investments accounted for using equity method as of March 31, March 31, 2008 and 2007 amounted to NT\$156,430 thousand and NT\$149,484 thousand, respectively, and the related equity in loss for the three months then ended March 31, 2008 and 2007 amounted to NT\$258 thousand and NT\$217 thousand, respectively, were based on the investees' unreviewed financial statements for the same reporting periods as those of the Company.

Based on our review, except for the effects of such adjustments, if any, as might have been disclosed had we reviewed the financial statements of the investee companies and related information as explained in the preceding paragraph, we are not aware of any material modifications that should be made to the financial statements referred to in the first paragraph for them to be in conformity with Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards and generally accepted accounting principles in the Republic of China.

On January 1, 2008, the Company adopted the ARDF issued Interpretation 2007-052 that requires companies to recognize as compensation expenses bonuses paid to employees, directors and supervisors beginning January 1, 2008. These bonuses were previously recorded as appropriations from earnings.

April 21, 2008

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

MARCH 31, 2008 AND 2007

(In Thousands of New Taiwan Dollars, Except Par Value)

(Reviewed, Not Audited)

ASSETS	2008		2007		LIABILITIES AND STOCKHOLDERS' EQUITY	2008		2007	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 42,776	1	\$ 30,352	-	Short-term debts	\$ 555,694	8	\$ 835,459	12
Financial asset at fair value through profit or loss - current	18,835	-	34,027	-	Short-term negotiable instruments payable	465,492	7	492,618	7
Hedge derivative financial assets - current	7,724	-	1,398	-	Notes payable	-	-	311	-
Notes receivable	31,288	-	20,453	-	Accounts payable	804,239	12	892,060	13
Accounts receivable, net of allowance of \$30,214 in 2008 and \$97,487 in 2007	1,896,135	29	1,546,904	22	Income tax payable	168,606	3	90,040	1
Other financial assets - current	33,625	1	39,029	1	Accrued expenses	128,457	2	137,801	2
Inventories, net	2,194,831	33	2,267,126	33	Construction payable	394,182	6	706,484	10
Construction in process, net of advances	389,119	6	806,084	12	Customers' advances	549,896	8	588,321	9
Prepayments	127,860	2	314,341	5	Construction advances, net of construction in progress	45,018	1	155,624	2
Deferred income tax assets - current	16,739	-	33,787	-	Current portion of long-term debts	110,000	2	150,000	2
Other	46,446	1	60,314	1	Other	24,206	-	3,909	-
Total current assets	4,805,378	73	5,153,815	74	Total current liabilities	3,245,790	49	4,052,627	58
LONG-TERM INVESTMENTS					LONG-TERM DEBTS	174,167	3	214,167	3
Investments accounted for using equity method	156,430	3	149,484	2	RESERVE FOR LAND VALUE INCREMENT TAX	34,528	-	34,528	1
Hedge derivative financial assets - noncurrent	2,479	-	1,335	-	OTHER LIABILITIES				
Financial assets carried at cost - noncurrent	70,800	1	70,800	1	Accrued pension liability	114,206	2	103,110	1
Total long-term investment	229,709	4	221,619	3	Other	1,267	-	10	-
PROPERTIES					Total other liabilities	115,473	2	103,120	1
Cost					Total liabilities	3,569,958	54	4,404,442	63
Land	573,113	9	573,113	8	STOCKHOLDERS' EQUITY				
Buildings and equipment	600,267	9	600,267	9	Capital stock - \$10 par value				
Machinery and equipment	873,745	13	852,864	12	Authorized - 275,000 thousand shares in 2008 and 2007				
Other equipment	73,212	1	75,737	1	Issued - 205,902 thousand shares in 2008 and 2007	2,059,024	31	2,059,024	30
Total cost	2,120,337	32	2,101,981	30	Capital surplus				
Appreciation	130,748	2	130,748	2	Paid-in capital in excess of par value	3,525	-	3,525	-
Total cost and appreciation	2,251,085	34	2,232,729	32	Treasury stock	23,613	1	5,548	-
Accumulated depreciation	813,958	12	751,587	10	Total capital surplus	27,138	1	9,073	-
Prepayment for equipment	3,322	-	-	-	Retained earnings				
Net properties	1,440,449	22	1,481,142	22	Legal reserve	35,788	1	13,668	-
DEFERRED PENSION COST	6,226	-	8,320	-	Special reserve	-	-	93,696	1
OTHER ASSETS					Unappropriated earnings	853,925	13	381,028	6
Deferred income tax assets - noncurrent	41,728	1	42,051	-	Total retained earnings	889,713	14	488,392	7
Other	37,276	-	46,057	1	Others				
Total other assets	79,004	1	88,108	1	Cumulative transaction adjustments	(3,941)	-	(3,494)	-
TOTAL	\$ 6,560,766	100	\$ 6,953,004	100	Net loss not recognized as pension cost	(59,823)	(1)	(58,659)	(1)
					Unrealized losses on financial instruments	12,671	-	(5,733)	-
					Treasury stock - 437 thousand shares in 2007	-	-	(6,067)	-
					Revaluation increment on properties	66,026	1	66,026	1
					Total others	14,933	-	(7,927)	-
					Total stockholders' equity	2,990,808	46	2,548,562	37
					TOTAL	\$ 6,560,766	100	\$ 6,953,004	100

(With Deloitte & Touche review report dated April 21, 2008)

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 1,357,944	86	\$ 1,216,679	81
Sales returns and allowances	-	-	1,511	-
Net sales	1,357,944	86	1,215,168	81
Construction revenues	230,059	14	278,820	19
Net operating revenues	1,588,003	100	1,493,988	100
OPERATING COST				
Cost of sales	1,025,844	64	890,224	60
Cost of construction	186,188	12	285,482	19
Total operating costs	1,212,032	76	1,175,706	79
GROSS PROFIT	375,971	24	318,282	21
OPERATING EXPENSES				
Selling	95,455	6	69,072	5
General and administrative	33,507	2	19,454	1
Research and development	11,033	1	19,769	1
Total operating expenses	139,995	9	108,295	7
OPERATING INCOME	235,976	15	209,987	14
NON-OPERATING INCOME AND GAINS				
Interest income	699	-	353	-
Service revenue	-	-	1,249	-
Reversal of allowance for losses on inventories	242	-	2,599	-
Rental	475	-	472	-
Scrap revenue	6,692	1	4,556	1
Valuation gain on financial assets	18,835	1	34,027	2
Other	4,088	-	8,172	1
Total non-operating income and gains	31,031	2	51,428	4
NON-OPERATING EXPENSES AND LOSSES				
Interest	11,815	1	9,619	1
Investment loss recognized under the equity method	258	-	217	-
Loss on inventory obsolescence	242	-	12,614	1
Foreign-currency exchange loss, net	2,609	-	39,174	2
Other	481	-	233	-
Total non-operating expenses and losses	15,405	1	61,857	4

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2008 AND 2007

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

(Reviewed, Not Audited)

	2008		2007	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 251,602	16	\$ 199,558	14
INCOME TAX EXPENSE	<u>58,103</u>	<u>4</u>	<u>41,061</u>	<u>3</u>
NET INCOME	<u>\$ 193,499</u>	<u>12</u>	<u>\$ 158,497</u>	<u>11</u>
	2008		2007	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic earnings per share				
Net income	<u>\$ 1.22</u>	<u>\$ 0.94</u>	<u>\$ 0.97</u>	<u>\$ 0.77</u>

Pro-forma (as if) information, assuming stocks of parent company traded and held by subsidiary regarded as investments rather than treasury stock:

	2007	
	Before Income Tax	After Income Tax
NET INCOME	<u>\$ 209,013</u>	<u>\$ 167,953</u>
BASIC EARNINGS PER SHARE	<u>\$ 1.02</u>	<u>\$ 0.82</u>

(With Deloitte & Touche review report dated April 21, 2008)

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 193,499	\$ 158,497
Depreciation and amortization	24,152	23,467
Valuation gain on financial assets	(18,835)	(34,027)
Provision (reversal) for bad debt	(1,134)	2,738
Loss on inventory obsolescence	242	12,614
Provision for losses on inventories	(242)	(2,599)
Investment loss recognized under the equity method	258	217
Net loss on sale of properties	16	114
Provision for pension liabilities	3,557	2,951
Deferred income tax	5,922	(12,065)
Changes in operating assets and liabilities		
Hedge derivative financial assets - current	4,032	(1,910)
Notes receivable	94,916	5,242
Accounts receivable	(157,765)	(291,528)
Other financial assets - current	392	28,432
Inventories	(138,431)	(200,687)
Construction in process	(53,316)	(1,241)
Prepayments	(28,149)	(200,310)
Other current assets	(20,285)	(4,574)
Notes payable	-	100
Accounts payable	154,215	130,643
Income tax payable	52,125	53,096
Accrued expenses	(94,644)	(2,167)
Construction payable	34,775	22,464
Customers' advances	(61,663)	58,445
Construction advances	(176,743)	(77,316)
Other current liabilities	<u>4,297</u>	<u>(3,120)</u>
Net cash used in operating activities	<u>(178,809)</u>	<u>(332,524)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in long-term investments accounted for using equity method	(46,855)	-
Decrease in financial asset at fair value through profit or loss - current	3,122	682
Acquisition of properties	(13,416)	(6,479)
Proceeds from sale of properties	86	95
Increase in other assets	<u>(5,542)</u>	<u>(3,012)</u>
Net cash used in investing activities	<u>(62,605)</u>	<u>(8,714)</u>

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2008 AND 2007 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2008	2007
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term debts	\$(179,374)	\$ 243,461
Increase in short-term negotiable instruments payable	465,492	45,933
Increase (decrease) in long-term debts	<u>(42,500)</u>	<u>57,500</u>
Net cash provided by financing activities	<u>243,618</u>	<u>346,894</u>
NET INCREASE IN CASH	2,204	5,656
CASH, BEGINNING OF PERIOD	<u>40,572</u>	<u>24,696</u>
CASH, END OF PERIOD	<u>\$ 42,776</u>	<u>\$ 30,352</u>
SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 12,539</u>	<u>\$ 8,440</u>
Income tax paid	<u>\$ 56</u>	<u>\$ 30</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Transfer inventories to properties	<u>\$ -</u>	<u>\$ 7,237</u>
Current portion of long-term debts	<u>\$ 110,000</u>	<u>\$ 150,000</u>

(With Deloitte & Touche review report dated April 21, 2008)

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