

**Fortune Electric Co., Ltd.**

**Financial Statements for the  
Nine Months Ended September 30, 2011 and 2010 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 September 30, 2011 and 2010, and the related statements of income and cash flows for the nine 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 September 30, 2011 and 2010 amounted to NT\$192,336 thousand and NT\$209,731 thousand, respectively, and the related equity in gain (loss) for the nine months then ended September 30, 2011 and 2010 amounted to NT\$(13,757) thousand and NT\$18,133 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 the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and generally accepted accounting principles in the Republic of China.

October 25, 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 review such financial statements are those generally accepted and applied in the Republic of China.*

*For the convenience of readers, the accountants' review 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 accountants' review report and financial statements shall prevail.*

**FORTUNE ELECTRIC CO., LTD.**

**BALANCE SHEETS**

**SEPTEMBER 30, 2011 AND 2010**

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

**(Reviewed, Not Audited)**

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>CURRENT ASSETS</b>					<b>CURRENT LIABILITIES</b>				
Cash	\$ 218,863	4	\$ 36,809	1	Short-term debts	\$ 314,795	6	\$ 496,296	8
Financial assets at fair value through profit or loss - current	973	-	6,214	-	Accounts payable	1,110,979	19	781,249	13
Hedge derivative financial assets - current	52	-	1,358	-	Accrued expenses	130,859	2	135,678	2
Notes receivable	28,405	-	12,785	-	Dividend payable	-	-	248,627	4
Accounts receivable, net of allowance of \$9,916 in 2011 and \$7,592 in 2010	1,238,007	21	1,628,271	27	Construction payable	356,193	6	448,965	8
Other financial assets - current	39,872	1	29,628	-	Customers' advances	462,987	8	610,249	10
Inventories, net	1,686,475	29	1,813,979	30	Other	<u>125,864</u>	<u>2</u>	<u>67,529</u>	<u>1</u>
Construction in process - net of advances	668,541	12	590,962	10	Total current liabilities	<u>2,501,677</u>	<u>43</u>	<u>2,788,593</u>	<u>46</u>
Prepayments	49,835	1	145,851	2	RESERVE FOR LAND REVALUATION INCREMENT TAX	<u>34,528</u>	<u>1</u>	<u>34,528</u>	<u>1</u>
Deferred income tax assets - current	7,330	-	4,368	-	OTHER LIABILITIES				
Other	<u>28,695</u>	<u>1</u>	<u>52,198</u>	<u>1</u>	Accrued pension liability	143,919	3	106,915	2
Total current assets	<u>3,967,048</u>	<u>69</u>	<u>4,322,423</u>	<u>71</u>	Other	<u>71,886</u>	<u>1</u>	<u>94,827</u>	<u>1</u>
<b>LONG-TERM INVESTMENTS</b>					Total other liabilities	<u>215,805</u>	<u>4</u>	<u>201,742</u>	<u>3</u>
Investments accounted for using equity method	192,336	3	209,731	3	Total liabilities	<u>2,752,010</u>	<u>48</u>	<u>3,024,863</u>	<u>50</u>
Financial assets at fair value through profit or loss - noncurrent	2,705	-	-	-	STOCKHOLDERS' EQUITY				
Financial assets carried at cost - noncurrent	<u>99,400</u>	<u>2</u>	<u>99,400</u>	<u>2</u>	Capital stock - \$10 par value				
Total long-term investment	<u>294,441</u>	<u>5</u>	<u>309,131</u>	<u>5</u>	Authorized - 275,000 thousand shares in 2011 and 2010				
<b>PROPERTIES</b>					Issued - 261,059 thousand shares in 2011 and 2010	<u>2,610,585</u>	<u>45</u>	<u>2,610,585</u>	<u>43</u>
Cost					Capital surplus				
Land	537,173	9	573,113	9	Paid-in capital in excess of par value	3,525	-	3,525	-
Buildings and equipment	620,900	11	638,012	11	Treasury stock transactions	<u>23,613</u>	<u>1</u>	<u>23,613</u>	<u>-</u>
Machinery and equipment	1,009,272	18	950,493	16	Total capital surplus	<u>27,138</u>	<u>1</u>	<u>27,138</u>	<u>-</u>
Other equipment	<u>76,830</u>	<u>1</u>	<u>73,777</u>	<u>1</u>	Retained earnings				
Total cost	2,244,175	39	2,235,395	37	Legal reserve	241,961	4	214,624	3
Appreciation	<u>130,748</u>	<u>2</u>	<u>130,748</u>	<u>2</u>	Special reserve	5,351	-	-	-
Total cost and appreciation	2,374,923	41	2,366,143	39	Unappropriated earnings	<u>118,370</u>	<u>2</u>	<u>162,117</u>	<u>3</u>
Accumulated depreciation	<u>1,034,549</u>	<u>18</u>	<u>974,946</u>	<u>16</u>	Total retained earnings	<u>365,682</u>	<u>6</u>	<u>376,741</u>	<u>6</u>
Prepayment for equipment	<u>79,471</u>	<u>2</u>	<u>18,618</u>	<u>-</u>	Others				
Net properties	<u>1,419,845</u>	<u>25</u>	<u>1,409,815</u>	<u>23</u>	Cumulative translation adjustments	4,932	-	292	-
DEFERRED PENSION COST	-	-	2,074	-	Net loss not recognized as pension cost	(61,068)	(1)	(29,558)	-
OTHER ASSETS					Unrealized gains on financial instruments	52	-	1,589	-
Assets leased to others	54,093	1	-	-	Unrealized land value increment	<u>66,026</u>	<u>1</u>	<u>66,026</u>	<u>1</u>
Refundable deposits	667	-	707	-	Total others	<u>9,942</u>	<u>-</u>	<u>38,349</u>	<u>1</u>
Deferred charges	15,986	-	25,282	1	Total stockholders' equity	<u>3,013,347</u>	<u>52</u>	<u>3,052,813</u>	<u>50</u>
Deferred income tax assets - noncurrent	<u>13,277</u>	<u>-</u>	<u>8,244</u>	<u>-</u>	TOTAL	<u>\$ 5,765,357</u>	<u>100</u>	<u>\$ 6,077,676</u>	<u>100</u>
Total other assets	<u>84,023</u>	<u>1</u>	<u>34,233</u>	<u>1</u>					
TOTAL	<u>\$ 5,765,357</u>	<u>100</u>	<u>\$ 6,077,676</u>	<u>100</u>					

(With Deloitte & Touche review report dated October 25, 2011)

# FORTUNE ELECTRIC CO., LTD.

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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

(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
<b>OPERATING REVENUE</b>				
Sales	\$ 2,776,384	87	\$ 2,890,432	90
Sales returns and allowances	82	-	130,773	4
Net sales	2,776,302	87	2,759,659	86
Construction revenues	401,136	13	460,422	14
Net operating revenues	3,177,438	100	3,220,081	100
<b>OPERATING COST</b>				
Cost of sales	2,339,626	74	2,250,842	70
Cost of construction	411,707	13	460,213	14
Total operating costs	2,751,333	87	2,711,055	84
<b>GROSS PROFIT</b>	426,105	13	509,026	16
<b>OPERATING EXPENSES</b>				
Selling	194,151	6	319,836	10
General and administrative	68,749	2	66,262	2
Research and development	94,711	3	52,026	2
Total operating expenses	357,611	11	438,124	14
<b>OPERATING INCOME</b>	68,494	2	70,902	2
<b>NON-OPERATING INCOME AND GAINS</b>				
Interest income	137	-	144	-
Investment gain recognized under the equity method	-	-	18,133	1
Indemnification revenue	-	-	4,101	-
Rental	1,828	-	43	-
Gain on reversal of bad debts	-	-	888	-
Valuation gain on financial instruments	7,924	-	2,117	-
Other	15,672	1	15,885	-
Total non-operating income and gains	25,561	1	41,311	1

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# FORTUNE ELECTRIC CO., LTD.

## STATEMENTS OF INCOME

NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010

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

(Reviewed, Not Audited)

	2011		2010	
	Amount	%	Amount	%
NON-OPERATING EXPENSES AND LOSSES				
Interest	\$ 4,144	-	\$ 3,383	-
Investment loss recognized under the equity method	13,757	1	-	-
Foreign-currency exchange loss, net	11,727	-	753	-
Other	<u>1,335</u>	<u>-</u>	<u>800</u>	<u>-</u>
Total non-operating expenses and losses	<u>30,963</u>	<u>1</u>	<u>4,936</u>	<u>-</u>
INCOME BEFORE INCOME TAX	63,092	2	107,277	3
INCOME TAX EXPENSE	<u>9,020</u>	<u>-</u>	<u>29,833</u>	<u>1</u>
NET INCOME	<u>\$ 54,072</u>	<u>2</u>	<u>\$ 77,444</u>	<u>2</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic	<u>\$ 0.24</u>	<u>\$ 0.21</u>	<u>\$ 0.41</u>	<u>\$ 0.30</u>
Diluted	<u>\$ 0.24</u>	<u>\$ 0.21</u>	<u>\$ 0.41</u>	<u>\$ 0.29</u>

(With Deloitte & Touche review report dated October 25, 2011)

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# FORTUNE ELECTRIC CO., LTD.

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2011	2010
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 54,072	\$ 77,444
Depreciation and amortization	67,855	66,395
Valuation gain on financial assets	(3,678)	(6,214)
Reversal of provision for bad debt	6,162	(888)
Reversal for inventory valuation	16,934	(2,682)
Investment loss (gain) recognized under the equity method	13,757	(18,133)
Net loss on disposal of properties	63	197
Provision for pension liabilities	5,358	6,357
Deferred income tax	(7,842)	6,979
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	-	8,886
Hedge derivative financial assets - current	-	231
Notes receivable	(8,467)	16,851
Accounts receivable	417,921	(177,505)
Other financial assets - current	3,491	(14,335)
Inventories	(390,778)	(300,194)
Construction in process	(8,344)	(147,385)
Prepayments	22,116	(55,636)
Other current assets	19,995	(25,216)
Financial liabilities at fair value through profit or loss	(334)	-
Accounts payable	205,864	66,433
Income tax payable	(14,827)	(36,141)
Accrued expenses	(64,677)	(59,720)
Construction payable	36,145	135,457
Customers' advances	66,188	(48,583)
Construction advances	-	(109,987)
Other current liabilities	53,568	42,309
Other liabilities	<u>(23,271)</u>	<u>93,087</u>
Net cash provided by (used in) operating activities	<u>467,271</u>	<u>(481,993)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Acquisition of properties	(103,801)	(29,002)
Proceeds from disposal of properties	286	-
Decrease (increase) in refundable deposits	(75)	964
Increase in deferred charges	<u>(4,799)</u>	<u>(6,595)</u>
Net cash used in investing activities	<u>(108,389)</u>	<u>(34,633)</u>

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# FORTUNE ELECTRIC CO., LTD.

## STATEMENTS OF CASH FLOWS NINE MONTHS ENDED SEPTEMBER 30, 2011 AND 2010 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

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	2011	2010
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term debts	\$ 95,093	\$ 489,941
Cash dividends paid	(261,059)	-
Increase (decrease) in guarantee deposits received	<u>330</u>	<u>(53)</u>
Net cash provided by (used in) financing activities	<u>(165,636)</u>	<u>489,888</u>
NET INCREASE (DECREASE) IN CASH	193,246	(26,738)
CASH, BEGINNING OF PERIOD	<u>25,617</u>	<u>63,547</u>
CASH, END OF PERIOD	<u>\$ 218,863</u>	<u>\$ 36,809</u>
SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 3,824</u>	<u>\$ 2,102</u>
Income tax paid	<u>\$ 39,447</u>	<u>\$ 77,450</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Transfer properties to assets leased to others	<u>\$ 54,871</u>	<u>\$ -</u>
Dividends payable	<u>\$ -</u>	<u>\$ 248,627</u>
Transfer inventories to properties	<u>\$ -</u>	<u>\$ 841</u>

(With Deloitte & Touche review report dated October 25, 2011)

(Concluded)