

Fortune Electric Co., Ltd.

**Financial Statements for the
Years Ended December 31, 2011 and 2010 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, 2011 and 2010 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, 2011 and 2010 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.

March 19, 2012

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, 2011 AND 2010

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

ASSETS	2011		2010		LIABILITIES AND STOCKHOLDERS' EQUITY	2011		2010	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 9,325	-	\$ 25,617	1	Short-term loans	\$ 527,443	10	\$ 219,702	4
Financial asset at fair value through profit or loss - current	1,850	-	-	-	Notes payable	14,946	-	-	-
Notes receivable	115,062	2	19,938	-	Accounts payable	770,833	14	905,115	16
Accounts receivable, net of allowance of \$10,743 in 2011 and \$8,199 in 2010	1,642,216	30	1,662,090	30	Income tax payable	-	-	14,827	-
Other financial assets - current	48,084	1	43,363	1	Accrued expenses	138,709	2	195,536	4
Inventories, net	1,334,591	24	1,312,631	23	Financial liability at fair value through profit or loss - current	-	-	334	-
Construction in process in excess of progressive billings	417,357	7	660,197	12	Construction payable	371,172	7	320,048	6
Prepayments	31,697	1	71,951	1	Customers' advances	333,127	6	396,799	7
Deferred income tax assets - current	3,749	-	2,738	-	Other current liabilities	58,079	1	72,296	1
Other current assets	77,264	1	48,690	1					
Total current assets	3,681,195	66	3,847,215	69	Total current liabilities	2,214,309	40	2,124,657	38
LONG-TERM INVESTMENTS					RESERVE FOR LAND VALUE INCREMENT TAX	34,528	1	34,528	1
Investments accounted for by the equity method	188,919	3	190,852	3	OTHER LIABILITIES				
Financial asset at fair value through profit or loss - noncurrent	2,561	-	-	-	Accrued pension cost	170,709	3	138,561	2
Financial assets carried at cost - noncurrent	99,400	2	99,400	2	Other	71,891	1	94,827	2
Total long-term investment	290,880	5	290,252	5	Total other liabilities	242,600	4	233,388	4
PROPERTIES					Total liabilities	2,491,437	45	2,392,573	43
Cost					STOCKHOLDERS' EQUITY				
Land	537,173	10	573,113	10	Capital stock - \$10 par value				
Buildings and equipment	624,240	11	638,012	12	Authorized - 275,000 thousand shares in 2011 and 2010				
Machinery and equipment	1,015,065	18	1,005,213	18	Issued - 261,059 thousand shares in 2011 and 2010	2,610,585	47	2,610,585	47
Photovoltaic solar equipment	147,036	3	-	-	Capital surplus				
Other equipment	80,366	2	73,518	1	Additional paid-in capital	3,525	-	3,525	-
Total cost	2,403,880	44	2,289,856	41	Treasury stock transactions	23,613	-	23,613	-
Appreciation	130,748	2	130,748	2	Total capital surplus	27,138	-	27,138	-
Total cost and appreciation	2,534,628	46	2,420,604	43	Retained earnings				
Accumulated depreciation	1,052,988	19	993,853	18	Legal reserve	241,961	5	214,624	4
	1,481,640	27	1,426,751	25	Special reserve	5,351	-	-	-
Prepayment for equipment	901	-	790	-	Unappropriated earnings	175,774	3	358,045	6
					Total retained earnings	423,086	8	572,669	10
Net properties	1,482,541	27	1,427,541	25	Others				
OTHER ASSETS					Cumulative translation adjustments	5,297	-	(10,309)	-
Assets leased to others	53,886	1	-	-	Net loss not recognized as pension cost	(86,013)	(1)	(61,068)	(1)
Refundable deposits	444	-	592	-	Unrealized revaluation increment	66,026	1	66,026	1
Deferred charges	14,377	1	21,987	1	Total others	(14,690)	-	(5,351)	-
Deferred income tax assets - noncurrent	14,233	-	10,027	-	Total stockholders' equity	3,046,119	55	3,205,041	57
Total other assets	82,940	2	32,606	1					
TOTAL	\$ 5,537,556	100	\$ 5,597,614	100	TOTAL	\$ 5,537,556	100	\$ 5,597,614	100

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 4,105,860	90	\$ 4,757,622	90
Sales returns and allowances	<u>181</u>	<u>-</u>	<u>130,980</u>	<u>3</u>
Net sales	4,105,679	90	4,626,642	87
Construction revenue	<u>435,853</u>	<u>10</u>	<u>680,883</u>	<u>13</u>
Net operating revenues	<u>4,541,532</u>	<u>100</u>	<u>5,307,525</u>	<u>100</u>
OPERATING COSTS				
Cost of goods sold	3,554,081	78	3,708,217	70
Construction cost	<u>445,729</u>	<u>10</u>	<u>669,594</u>	<u>12</u>
Total operating costs	<u>3,999,810</u>	<u>88</u>	<u>4,377,811</u>	<u>82</u>
GROSS PROFIT	<u>541,722</u>	<u>12</u>	<u>929,714</u>	<u>18</u>
OPERATING EXPENSES				
Selling expenses	286,547	6	490,382	9
General and administrative expenses	89,888	2	103,706	2
Research and development expenses	<u>90,157</u>	<u>2</u>	<u>78,098</u>	<u>2</u>
Total operating expenses	<u>466,592</u>	<u>10</u>	<u>672,186</u>	<u>13</u>
OPERATING INCOME	<u>75,130</u>	<u>2</u>	<u>257,528</u>	<u>5</u>
NON-OPERATING INCOME AND GAINS				
Interest income	359	-	187	-
Investment income recognized under equity method	-	-	9,855	-
Exchange gain, net	5,033	-	13,855	-
Rental	2,384	-	57	-
Valuation gain on financial assets, net	13,147	-	2,913	-
Indemnification revenue	-	-	34,871	1
Government subsidizes incomes	32,689	1	-	-
Other	<u>19,959</u>	<u>-</u>	<u>23,335</u>	<u>-</u>
Total non-operating income and gains	<u>73,571</u>	<u>1</u>	<u>85,073</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	6,605	-	5,488	-
Investment loss recognized under the equity method	17,539	1	-	-
Other	<u>1,542</u>	<u>-</u>	<u>766</u>	<u>-</u>
Total non-operating expenses and losses	<u>25,686</u>	<u>1</u>	<u>6,254</u>	<u>-</u>

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2011 AND 2010

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

	2011		2010	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 123,015	2	\$ 336,347	6
INCOME TAX EXPENSE	<u>11,539</u>	<u>-</u>	<u>62,975</u>	<u>1</u>
NET INCOME	<u>\$ 111,476</u>	<u>2</u>	<u>\$ 273,372</u>	<u>5</u>
	2011		2010	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic	<u>\$ 0.47</u>	<u>\$ 0.43</u>	<u>\$ 1.29</u>	<u>\$ 1.05</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.42</u>	<u>\$ 1.28</u>	<u>\$ 1.04</u>

(Concluded)

FORTUNE ELECTRIC CO., LTD.
STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011 AND 2010
(In Thousands of New Taiwan Dollars)

	Capital Stock Issued		Paid-in Capital			Retained Earnings				Other Equity			Total Stockholders' Equity	
	Shares (Thousand)	Amount	Additional Paid-in Capital	Treasury Stock Transaction	Total	Legal Reserve	Special Reserve	Unappropriated Earnings	Total	Cumulative Translation Adjustments	Net Loss Not Recognized as Pension Cost	Unrealized Revaluation Increment		Total
BALANCE, JANUARY 1, 2010	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
Appropriations of 2010 earnings														
Legal reserve	-	-	-	-	-	27,337	-	(27,337)	-	-	-	-	-	-
Special reserve	-	-	-	-	-	-	5,351	(5,351)	-	-	-	-	-	-
Cash dividends - 1 per share	-	-	-	-	-	-	-	(261,059)	(261,059)	-	-	-	-	(261,059)
Net income for the year ended December 31, 2011	-	-	-	-	-	-	-	111,476	111,476	-	-	-	-	111,476
Cumulative translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	15,606	-	-	15,606	15,606
Change in net loss not recognized as pension costs	-	-	-	-	-	-	-	-	-	-	(24,945)	-	(24,945)	(24,945)
BALANCE, DECEMBER 31, 2011	<u>261,059</u>	<u>\$ 2,610,585</u>	<u>\$ 3,525</u>	<u>\$ 23,613</u>	<u>\$ 27,138</u>	<u>\$ 241,961</u>	<u>\$ 5,351</u>	<u>\$ 175,774</u>	<u>\$ 423,086</u>	<u>\$ 5,297</u>	<u>\$ (86,013)</u>	<u>\$ 66,026</u>	<u>\$ (14,690)</u>	<u>\$ 3,046,119</u>

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 111,476	\$ 273,372
Depreciation and amortization	89,665	90,688
Valuation (gain) loss on financial instruments	(4,411)	334
Reversal for bad debt	6,989	(281)
Investment gain recognized under equity method	17,539	(9,855)
Provision for (recovery of) loss on inventories	21,782	(5,722)
Net loss on disposal of properties	63	116
Provision for pension liabilities	7,203	8,567
Deferred income tax	(5,217)	6,826
Changes in operating assets and liabilities		
Notes receivable	(95,124)	9,698
Accounts receivable	12,885	(211,931)
Other financial assets - current	(4,721)	(28,070)
Inventories	(53,440)	200,410
Construction in process	242,840	(216,620)
Prepayments	40,254	18,264
Other current assets	(28,574)	(21,708)
Notes payable	14,946	-
Accounts payable	(134,282)	190,299
Income tax payable	(14,827)	(21,314)
Accrued expenses	(56,827)	138
Construction payable	51,124	6,540
Customers' advances	(63,672)	(262,033)
Progressive billings in excess of construction in progress	-	(109,987)
Other current liabilities	(14,217)	39,846
Other liabilities	(23,270)	93,087
Net cash provided by operating activities	<u>118,184</u>	<u>50,664</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Decrease in financial asset at fair value through profit or loss - current	(334)	8,886
Acquisition of properties	(176,028)	(55,876)
Proceeds from sale of properties	286	138
Decrease in refundable deposits	148	1,079
Increase in deferred charges	(5,564)	(7,488)
Net cash used in investing activities	<u>(181,492)</u>	<u>(53,261)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase (decrease) in short-term loans	307,741	213,347
Cash dividends paid	(261,059)	(248,627)
Decrease in guarantee deposits received	334	(53)
Net cash provided by (used in) financing activities	<u>47,016</u>	<u>(35,333)</u>

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2010 (In Thousands of New Taiwan Dollars)

	2011	2010
NET INCREASE IN CASH	\$ (16,292)	\$ (37,930)
CASH, BEGINNING OF YEAR	<u>25,617</u>	<u>63,547</u>
CASH, END OF YEAR	<u>\$ 9,325</u>	<u>\$ 25,617</u>
SUPPLEMENTAL INFORMATION		
Interest paid	<u>\$ 5,882</u>	<u>\$ 4,927</u>
Income tax paid	<u>\$ 31,583</u>	<u>\$ 77,463</u>
NON-CASH INVESTING AND FINANCING ACTIVITIES		
Transfer properties to assets leased to other	<u>\$ 54,871</u>	<u>\$ -</u>
Transfer inventories to properties	<u>\$ 9,698</u>	<u>\$ -</u>
Transfer prepayment for equipment to deferred charges	<u>\$ 790</u>	<u>\$ -</u>

(Concluded)