

Fortune Electric Co., Ltd.

**Financial Statements for the
Three Months Ended March 31, 2012 and 2011 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, 2012 and 2011, 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, 2012 and 2011 amounted to NT\$185,358 thousand and NT\$181,668 thousand, respectively, and the related equity in gain (loss) for the three months then ended March 31, 2012 and 2011 amounted to NT\$1,024 thousand and NT\$(11,844) 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.

April 20, 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 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
MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash	\$ 20,484	-	\$ 38,133	1	Short-term debts	\$ 649,258	12	\$ 363,922	6
Financial assets at fair value through profit or loss - current	1,159	-	349	-	Accounts payable	819,571	15	967,484	16
Notes receivable	35,230	1	31,006	-	Income tax payable	-	-	29,364	-
Accounts receivable, net of allowance of \$8,713 in 2012 and \$11,675 in 2011	1,324,904	24	1,721,248	29	Accrued expenses	119,797	2	147,865	3
Other financial assets - current	44,282	1	38,451	1	Construction payable	188,410	4	318,993	5
Inventories, net	1,670,643	31	1,451,892	25	Customers' advances	394,954	7	506,234	9
Construction in process in excess of progressive billings	417,363	8	807,412	14	Other current liabilities	<u>46,682</u>	<u>1</u>	<u>43,135</u>	<u>1</u>
Prepayments	34,123	1	67,105	1	Total current liabilities	<u>2,218,672</u>	<u>41</u>	<u>2,376,997</u>	<u>40</u>
Deferred income tax assets - current	16,809	-	5,180	-	RESERVE FOR LAND REVALUATION INCREMENT TAX	<u>34,528</u>	<u>1</u>	<u>34,528</u>	<u>1</u>
Other current assets	<u>76,290</u>	<u>1</u>	<u>23,299</u>	<u>-</u>	OTHER LIABILITIES				
Total current assets	<u>3,641,287</u>	<u>67</u>	<u>4,184,075</u>	<u>71</u>	Accrued pension liability	172,796	3	140,347	2
LONG-TERM INVESTMENTS					Other	<u>72,297</u>	<u>1</u>	<u>95,142</u>	<u>2</u>
Investments accounted for using equity method	185,358	3	181,668	3	Total other liabilities	<u>245,093</u>	<u>4</u>	<u>235,489</u>	<u>4</u>
Financial assets at fair value through profit or loss - noncurrent	-	-	238	-	Total liabilities	<u>2,498,293</u>	<u>46</u>	<u>2,647,014</u>	<u>45</u>
Financial assets carried at cost - noncurrent	<u>99,400</u>	<u>2</u>	<u>99,400</u>	<u>2</u>	STOCKHOLDERS' EQUITY				
Total long-term investment	<u>284,758</u>	<u>5</u>	<u>281,306</u>	<u>5</u>	Capital stock - \$10 par value				
PROPERTIES					Authorized - 275,000 thousand shares in 2012 and 2011			-	-
Cost					Issued - 261,059 thousand shares in 2012 and 2011	<u>2,610,585</u>	<u>48</u>	<u>2,610,585</u>	<u>44</u>
Land	537,173	10	573,113	10	Capital surplus				
Buildings and equipment	624,240	11	638,582	11	Additional paid-in capital	3,525	-	3,525	-
Machinery and equipment	1,012,317	19	1,009,006	17	Treasury stock transactions	<u>23,613</u>	<u>-</u>	<u>23,613</u>	<u>-</u>
Photovoltaic solar equipment	147,036	3	-	-	Total capital surplus	<u>27,138</u>	<u>-</u>	<u>27,138</u>	<u>-</u>
Other equipment	<u>81,137</u>	<u>1</u>	<u>74,225</u>	<u>1</u>	Retained earnings				
Total cost	2,401,903	44	2,294,926	39	Legal reserve	241,961	4	214,624	4
Appreciation	<u>130,748</u>	<u>2</u>	<u>130,748</u>	<u>2</u>	Special reserve	5,351	-	-	-
Total cost and appreciation	2,532,651	46	2,425,674	41	Unappropriated earnings	<u>111,073</u>	<u>2</u>	<u>415,734</u>	<u>7</u>
Accumulated depreciation	<u>1,066,708</u>	<u>19</u>	<u>1,011,821</u>	<u>17</u>	Total retained earnings	<u>358,385</u>	<u>6</u>	<u>630,358</u>	<u>11</u>
Prepayment for equipment	<u>700</u>	<u>-</u>	<u>1,480</u>	<u>-</u>	Others				
Net properties	<u>1,466,643</u>	<u>27</u>	<u>1,415,333</u>	<u>24</u>	Cumulative translation adjustments	712	-	(7,649)	-
OTHER ASSETS					Net loss not recognized as pension cost	(86,013)	(1)	(61,068)	(1)
Assets leased to others	53,679	1	-	-	Unrealized revaluation increment	<u>66,026</u>	<u>1</u>	<u>66,026</u>	<u>1</u>
Refundable deposits	328	-	464	-	Total others	<u>(19,275)</u>	<u>-</u>	<u>(2,691)</u>	<u>-</u>
Deferred charges	14,017	-	18,882	-	Total stockholders' equity	<u>2,976,833</u>	<u>54</u>	<u>3,265,390</u>	<u>55</u>
Deferred income tax assets - noncurrent	<u>14,414</u>	<u>-</u>	<u>12,344</u>	<u>-</u>	TOTAL	\$ 5,475,126	100	\$ 5,912,404	100
Total other assets	<u>82,438</u>	<u>1</u>	<u>31,690</u>	<u>-</u>					
TOTAL	\$ 5,475,126	100	\$ 5,912,404	100					

(With Deloitte & Touche review report dated April 20, 2012)

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
OPERATING REVENUE				
Sales	\$ 438,787	100	\$ 777,147	79
Sales returns and allowances	<u>-</u>	<u>-</u>	<u>41</u>	<u>-</u>
Net sales	438,787	100	777,106	79
Construction revenues	<u>6</u>	<u>-</u>	<u>209,074</u>	<u>21</u>
Net operating revenues	<u>438,793</u>	<u>100</u>	<u>986,180</u>	<u>100</u>
OPERATING COST				
Cost of goods sold	426,694	97	614,888	62
Construction cost	<u>4,322</u>	<u>1</u>	<u>195,898</u>	<u>20</u>
Total operating costs	<u>431,016</u>	<u>98</u>	<u>810,786</u>	<u>82</u>
GROSS PROFIT	<u>7,777</u>	<u>2</u>	<u>175,394</u>	<u>18</u>
OPERATING EXPENSES				
Selling expenses	56,866	13	56,308	6
General and administrative expenses	19,022	4	24,835	2
Research and development expenses	<u>25,535</u>	<u>6</u>	<u>18,639</u>	<u>2</u>
Total operating expenses	<u>101,423</u>	<u>23</u>	<u>99,782</u>	<u>10</u>
OPERATING INCOME (LOSS)	<u>(93,646)</u>	<u>(21)</u>	<u>75,612</u>	<u>8</u>
NON-OPERATING INCOME AND GAINS				
Interest income	144	-	41	-
Investment gain recognized under the equity method	1,024	-	-	-
Exchange gain, net	5,433	1	1,249	-
Gain on disposal of assets, net	423	-	144	-
Rental	539	-	564	-
Gain on reversal of bad debts	2,030	1	-	-
Other	<u>9,345</u>	<u>2</u>	<u>5,630</u>	<u>1</u>
Total non-operating income and gains	<u>18,938</u>	<u>4</u>	<u>7,628</u>	<u>1</u>
NON-OPERATING EXPENSES AND LOSSES				
Interest expense	3,005	1	1,747	-
Investment loss recognized under the equity method	-	-	11,844	2
Other	<u>229</u>	<u>-</u>	<u>117</u>	<u>-</u>
Total non-operating expenses and losses	<u>3,234</u>	<u>1</u>	<u>13,708</u>	<u>2</u>

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME

THREE MONTHS ENDED MARCH 31, 2012 AND 2011

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

(Reviewed, Not Audited)

	2012		2011	
	Amount	%	Amount	%
INCOME (LOSS) BEFORE INCOME TAX	\$ (77,942)	(18)	\$ 69,532	7
INCOME TAX EXPENSE (BENEFIT)	<u>(13,241)</u>	<u>(3)</u>	<u>11,843</u>	<u>1</u>
NET INCOME (LOSS)	<u>\$ (64,701)</u>	<u>(15)</u>	<u>\$ 57,689</u>	<u>6</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
EARNINGS PER SHARE				
Basic	<u>\$ (0.30)</u>	<u>\$ (0.25)</u>	<u>\$ (0.27)</u>	<u>\$ 0.22</u>
Diluted			<u>\$ (0.27)</u>	<u>\$ 0.22</u>

(With Deloitte & Touche review report dated April 20, 2012)

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$ (64,701)	\$ 57,689
Depreciation and amortization	22,903	22,907
Valuation gain on financial assets	(1,159)	(587)
Reversal of provision for bad debt	(2,030)	3,476
Reversal for inventory valuation	(855)	9,180
Investment loss (gain) recognized under the equity method	(1,024)	11,844
Net loss on disposal of properties	(423)	(144)
Provision for pension liabilities	2,087	1,786
Deferred income tax	(13,241)	(4,759)
Changes in operating assets and liabilities		
Financial assets at fair value through profit or loss	4,411	-
Notes receivable	79,832	(11,068)
Accounts receivable	319,342	(62,634)
Other financial assets - current	3,802	4,912
Inventories	(335,197)	(148,441)
Construction in process	(6)	(147,215)
Prepayments	(2,426)	4,846
Other current assets	974	25,383
Financial liabilities at fair value through profit or loss	-	(334)
Notes payable	(14,946)	-
Accounts payable	48,738	62,369
Income tax payable	-	14,545
Accrued expenses	(18,912)	(47,671)
Construction payable	(182,762)	(1,055)
Customers' advances	61,827	109,435
Other current liabilities	(11,397)	(29,161)
Net cash used in operating activities	<u>(105,163)</u>	<u>(124,697)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisition of properties	(4,526)	(6,883)
Proceeds from disposal of properties	1,097	286
Decrease in refundable deposits	116	128
Increase in deferred charges	<u>(2,586)</u>	<u>(853)</u>
Net cash used in investing activities	<u>(5,899)</u>	<u>(7,322)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in short-term debts	121,815	144,220
Increase in guarantee deposits received	<u>406</u>	<u>315</u>
Net cash provided by financing activities	<u>122,221</u>	<u>144,535</u>

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FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS THREE MONTHS ENDED MARCH 31, 2012 AND 2011 (In Thousands of New Taiwan Dollars) (Reviewed, Not Audited)

	2012	2011
NET INCREASE IN CASH	\$ 11,159	\$ 12,516
CASH, BEGINNING OF PERIOD	<u>9,325</u>	<u>25,617</u>
CASH, END OF PERIOD	<u>\$ 20,484</u>	<u>\$ 38,133</u>
SUPPLEMENTARY INFORMATION		
Interest paid	<u>\$ 2,618</u>	<u>\$ 827</u>
Income tax paid	<u>\$ -</u>	<u>\$ 2,065</u>

(With Deloitte & Touche review report dated April 20, 2012)

(Concluded)