

Fortune Electric Co., Ltd.

**Financial Statements for the
Six Months Ended June 30, 2011 and 2012 and
Independent Auditors' Report**

FORTUNE ELECTRIC CO., LTD.
BALANCE SHEETS
JUNE 30, 2011 AND 2012
(In Thousands, Except Par Value)

| ASSETS | 2011 | 2012 | | LIABILITIES AND STOCKHOLDERS' EQUITY | 2011 | 2012 | |
|--|---------------------|---------------------|-------------------|--|---------------------|---------------------|-------------------|
| | NT\$ | NT\$ | US\$ (Note) | | NT\$ | NT\$ | US\$ (Note) |
| CURRENT ASSETS | | | | CURRENT LIABILITIES | | | |
| Cash | \$ 30,533 | \$ 37,411 | \$ 1,252 | Short-term debts | \$ 214,710 | \$ 639,043 | \$ 21,387 |
| Financial asset at fair value through profit or loss - current | - | 834 | 28 | Financial liabilities at fair value through profit or loss - current | 886 | - | - |
| Notes receivable | 18,198 | 36,961 | 1,237 | Accounts payable | 1,213,821 | 859,012 | 28,749 |
| Accounts receivable, net of allowance of NT\$10,063 in 2011 and NT\$10,454 in 2012 | 1,840,797 | 1,531,554 | 51,257 | Income tax payable | 32,518 | - | - |
| Other financial assets - current | 40,887 | 21,487 | 719 | Accrued expenses | 124,624 | 145,961 | 4,885 |
| Inventories, net | 1,627,589 | 1,598,147 | 53,486 | Dividend payable | 261,059 | 130,529 | 4,369 |
| Construction in process in excess of progressive billing | 730,876 | 375,513 | 12,567 | Construction payable | 341,413 | 163,956 | 5,487 |
| Prepayments | 70,829 | 56,089 | 1,877 | Customers' advances | 531,214 | 433,331 | 14,502 |
| Deferred income tax assets - current | 5,628 | 20,955 | 701 | Construction advances, net of construction in progress | - | 29,143 | 975 |
| Other current assets | 18,890 | 38,770 | 1,298 | Other current liabilities | 50,916 | 53,305 | 1,784 |
| Total current assets | 4,384,227 | 3,717,721 | 124,422 | Total current liabilities | 2,771,161 | 2,454,280 | 82,138 |
| LONG-TERM INVESTMENTS | | | | FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS - NONCURRENT | 963 | - | - |
| Investments accounted for using equity method | 181,316 | 186,293 | 6,235 | RESERVE FOR LAND REVALUATION INCREMENT TAX | 34,528 | 34,528 | 1,156 |
| Financial assets carried at cost - noncurrent | 99,400 | 99,400 | 3,326 | OTHER LIABILITIES | | | |
| Total long-term investment | 280,716 | 285,693 | 9,561 | Accrued pension liability | 142,105 | 174,911 | 5,854 |
| PROPERTIES | | | | Other | 71,878 | 48,084 | 1,609 |
| Cost | | | | Total other liabilities | 213,983 | 222,995 | 7,463 |
| Land | 537,173 | 537,173 | 17,978 | Total liabilities | 3,020,635 | 2,711,803 | 90,757 |
| Buildings and equipment | 620,900 | 624,240 | 20,891 | STOCKHOLDERS' EQUITY | | | |
| Machinery and equipment | 987,607 | 1,011,177 | 33,841 | Capital stock - \$10 par value | | | |
| Photovoltaic solar equipment | - | 147,036 | 4,921 | Authorized - 275,000 thousand shares in 2011 and 2012 | | | |
| Other equipment | 74,500 | 81,458 | 2,726 | Issued - 261,059 thousand shares in 2011 and 2012 | 2,610,585 | 2,610,585 | 87,369 |
| Total cost | 2,220,180 | 2,401,084 | 80,357 | Capital surplus | | | |
| Appreciation | 130,748 | 130,748 | 4,376 | Additional paid-in capital | 3,525 | 3,525 | 118 |
| Total cost and appreciation | 2,350,928 | 2,531,832 | 84,733 | Treasury stock transactions | 23,613 | 23,613 | 790 |
| Accumulated depreciation | 1,007,363 | 1,082,753 | 36,236 | Total capital surplus | 27,138 | 27,138 | 908 |
| Prepayment for equipment | 1,343,565 | 1,449,079 | 48,497 | Retained earnings | | | |
| Net properties | 1,346,378 | 1,449,916 | 48,525 | Legal reserve | 241,961 | 253,109 | 8,471 |
| OTHER ASSETS | | | | Special reserve | 5,351 | 14,690 | 492 |
| Assets leased to others | 57,843 | 53,472 | 1,790 | Unappropriated earnings | 198,991 | (63,282) | (2,118) |
| Refundable deposits | 667 | 331 | 11 | Total retained earnings | 446,303 | 204,517 | 6,845 |
| Deferred charges | 17,885 | 14,192 | 475 | Others | | | |
| Deferred income tax assets - noncurrent | 12,385 | 14,858 | 497 | Cumulative translation adjustments | (9,518) | 2,127 | 71 |
| Total other assets | 88,780 | 82,853 | 2,773 | Net loss not recognized as pension cost | (61,068) | (86,013) | (2,879) |
| TOTAL | \$ 6,100,101 | \$ 5,536,183 | \$ 185,281 | Unrealized revaluation increment | 66,026 | 66,026 | 2,210 |
| | | | | Total others | (4,560) | (17,860) | (598) |
| | | | | Total stockholders' equity | 3,079,466 | 2,824,380 | 94,524 |
| | | | | TOTAL | \$ 6,100,101 | \$ 5,536,183 | \$ 185,281 |

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside of the Republic of China and has been made at the rate of NT\$29.88 to US\$1.00 at June 30, 2012, the base rate announced by Bank of Taiwan. Such translations should not be constructed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

| | 2011 | 2012 | |
|--|------------------|------------------|----------------|
| | NT\$ | NT\$ | US\$ (Note) |
| OPERATING REVENUE | | | |
| Sales | \$ 1,868,147 | \$ 1,488,341 | \$ 49,811 |
| Sales returns and allowances | <u>83</u> | <u>-</u> | <u>-</u> |
| Net sales | 1,868,064 | 1,488,341 | 49,811 |
| Construction revenues | <u>326,198</u> | <u>6</u> | <u>1</u> |
| Net operating revenues | <u>2,194,262</u> | <u>1,488,347</u> | <u>49,812</u> |
| OPERATING COST | | | |
| Cost of goods sold | 1,492,862 | 1,308,229 | 43,783 |
| Construction cost | <u>322,326</u> | <u>14,740</u> | <u>494</u> |
| Total operating costs | <u>1,815,188</u> | <u>1,322,969</u> | <u>44,277</u> |
| GROSS PROFIT | <u>379,074</u> | <u>165,378</u> | <u>5,535</u> |
| OPERATING EXPENSES | | | |
| Selling expenses | 105,126 | 201,682 | 6,750 |
| General and administrative expenses | 49,764 | 37,089 | 1,241 |
| Research and development expenses | <u>62,964</u> | <u>42,140</u> | <u>1,410</u> |
| Total operating expenses | <u>217,854</u> | <u>280,911</u> | <u>9,401</u> |
| OPERATING INCOME (LOSS) | <u>161,220</u> | <u>(115,533)</u> | <u>(3,866)</u> |
| NON-OPERATING INCOME AND GAINS | | | |
| Interest income | 88 | 186 | 6 |
| Investment gain recognized under the equity method | - | 544 | 18 |
| Exchange gain, net | 2,452 | 13,410 | 449 |
| Gain on disposal of assets, net | - | 355 | 12 |
| Rental | 1,298 | 1,054 | 35 |
| Valuation gain on financial assets, net | 1,588 | 1,587 | 53 |
| Claims revenue | 1,061 | 6,116 | 205 |
| Other | <u>6,385</u> | <u>11,385</u> | <u>381</u> |
| Total non-operating income and gains | <u>12,872</u> | <u>34,637</u> | <u>1,159</u> |
| NON-OPERATING EXPENSES AND LOSSES | | | |
| Interest expense | 2,630 | 6,077 | 203 |
| Investment loss recognized under the equity method | 10,327 | - | - |
| Loss on disposal of assets, net | 34 | - | - |
| Other | <u>903</u> | <u>18,004</u> | <u>603</u> |
| Total non-operating expenses and losses | <u>13,894</u> | <u>24,081</u> | <u>806</u> |

(Continued)

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

| | 2011 | | 2012 | |
|---------------------------------|-------------------------|------------------------|-------------------------|------------------------|
| | NT\$ | NT\$ | NT\$ | US\$ (Note) |
| INCOME (LOSS) BEFORE INCOME TAX | \$ 160,198 | | \$ (104,977) | \$ (3,513) |
| INCOME TAX EXPENSE (BENEFIT) | <u>25,505</u> | | <u>(16,937)</u> | <u>(567)</u> |
| NET INCOME (LOSS) | <u>\$ 134,693</u> | | <u>\$ (88,040)</u> | <u>\$ (2,946)</u> |
| | 2011 | | 2012 | |
| | Before Income Tax | After Income Tax | Before Income Tax | After Income Tax |
| | NT\$ | NT\$ | NT\$ | US\$ (Note) |
| EARNINGS PER SHARE | | | | |
| Basic | <u>\$ 0.61</u> | <u>\$ 0.52</u> | <u>\$ (0.40)</u> | <u>\$ (0.01)</u> |
| Diluted | <u>\$ 0.61</u> | <u>\$ 0.52</u> | | <u>\$ (0.34)</u> |

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside of the Republic of China and has been made at the rate of NT\$29.88 to US\$1.00 at June 30, 2012, the base rate announced by Bank of Taiwan. Such translations should not be constructed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

(Concluded)

FORTUNE ELECTRIC CO., LTD.
**STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2011 AND 2012
(In Thousands, Except Cash Dividends Per Share)**

| | Capital Stock Issued | | Excess of Par Value NT\$ | Paid-in Capital | | Legal Reserve NT\$ | Retained Earnings | | | Total Others | | | Total Stockholders' Equity NT\$ | |
|--|----------------------|---------------------|-----------------------------|---------------------------------------|------------------|-----------------------|-------------------------|------------------------------------|-------------------|--|---|--|------------------------------------|---------------------|
| | Shares (Thousand) | Amount NT\$ | | Treasury Stock Transaction NT\$ | Total NT\$ | | Special Reserve NT\$ | Unappropriated Earnings NT\$ | Total NT\$ | Cumulative Translation Adjustments NT\$ | Net loss Not Recognized as Pension Cost NT\$ | Unrealized Revaluation Increment NT\$ | | Total NT\$ |
| BALANCE, JANUARY 1, 2011 | 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 six months ended June 30, 2011 | - | - | - | - | - | - | - | 134,693 | 134,693 | - | - | - | - | 134,693 |
| Cumulative translation adjustments on long-term investments | - | - | - | - | - | - | - | - | - | 791 | - | - | 791 | 791 |
| BALANCE, JUNE 30, 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>\$ 198,991</u> | <u>\$ 446,303</u> | <u>\$ (9,518)</u> | <u>\$ (61,068)</u> | <u>\$ 66,026</u> | <u>\$ (4,560)</u> | <u>\$ 3,079,466</u> |
| BALANCE, JANUARY 1, 2012 | 261,059 | \$ 2,610,585 | \$ 3,525 | \$ 23,613 | \$ 27,138 | \$ 241,961 | \$ 5,351 | \$ 175,774 | \$ 423,086 | \$ 5,297 | \$ (86,013) | \$ 66,026 | \$ (14,690) | \$ 3,046,119 |
| Appropriations of 2011 earnings | | | | | | | | | | | | | | |
| Legal reserve | - | - | - | - | - | 11,148 | - | (11,148) | - | - | - | - | - | - |
| Special reserve | - | - | - | - | - | - | 9,339 | (9,339) | - | - | - | - | - | - |
| Cash dividends - \$0.5 per share | - | - | - | - | - | - | - | (130,529) | (130,529) | - | - | - | - | (130,529) |
| Net income for the six months ended June 30, 2012 | - | - | - | - | - | - | - | (88,040) | (88,040) | - | - | - | - | (88,040) |
| Cumulative translation adjustments on long-term investments | - | - | - | - | - | - | - | - | - | (3,170) | - | - | (3,170) | (3,170) |
| BALANCE, JUNE 30, 2012 | <u>261,059</u> | <u>\$ 2,610,585</u> | <u>\$ 3,525</u> | <u>\$ 23,613</u> | <u>\$ 27,138</u> | <u>\$ 253,109</u> | <u>\$ 14,690</u> | <u>\$ (63,282)</u> | <u>\$ 204,517</u> | <u>\$ 2,127</u> | <u>\$ (86,013)</u> | <u>\$ 66,026</u> | <u>\$ (17,860)</u> | <u>\$ 2,824,380</u> |
| TRANSLATION INTO U.S. DOLLARS (Note) | <u>261,059</u> | <u>\$ 87,369</u> | <u>\$ 118</u> | <u>\$ 790</u> | <u>\$ 908</u> | <u>\$ 8,471</u> | <u>\$ 492</u> | <u>\$ (2,118)</u> | <u>\$ 6,845</u> | <u>\$ 71</u> | <u>\$ (2,879)</u> | <u>\$ 2,210</u> | <u>\$ (598)</u> | <u>\$ 94,524</u> |

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside of the Republic of China and has been made at the rate of NT\$29.88 to US\$1.00 at June 30, 2012, the base rate announced by Bank of Taiwan. Such translations should not be constructed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (In Thousands)

| | 2011 | 2012 | |
|--|-----------------|-----------------|----------------|
| | NT\$ | NT\$ | US\$ (Note) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Net income (loss) | \$ 134,693 | \$ (88,040) | \$ (2,946) |
| Depreciation and amortization | 45,360 | 44,837 | 1,501 |
| Valuation loss (gain) on financial assets | 1,849 | (834) | (28) |
| Reversal of provision for bad debt | 6,309 | (289) | (10) |
| Reversal for inventory valuation | 16,299 | (7,974) | (267) |
| Investment loss (gain) recognized under the equity method | 10,327 | (544) | (18) |
| Net loss (gain) on disposal of properties | 34 | (355) | (12) |
| Provision for pension liabilities | 3,544 | 4,202 | 141 |
| Deferred income tax | (5,248) | (17,831) | (597) |
| Changes in operating assets and liabilities | | | |
| Financial assets at fair value through profit or loss | - | 4,411 | 148 |
| Notes receivable | 1,740 | 78,101 | 2,614 |
| Accounts receivable | (185,016) | 110,951 | 3,713 |
| Other financial assets - current | 2,476 | 26,597 | 890 |
| Inventories | (331,257) | (255,582) | (8,554) |
| Construction in process | (70,679) | 41,844 | 1,400 |
| Prepayments | 1,122 | (24,392) | (816) |
| Other current assets | 29,800 | 38,494 | 1,288 |
| Financial liabilities at fair value through profit or loss | (334) | - | - |
| Notes payable | - | (14,946) | (500) |
| Accounts payable | 308,706 | 88,179 | 2,951 |
| Income tax payable | 17,691 | - | - |
| Accrued expenses | (70,912) | 7,252 | 243 |
| Construction payable | 21,365 | (207,216) | (6,935) |
| Customers' advances | 134,415 | 100,204 | 3,354 |
| Construction advances | - | 29,143 | 975 |
| Other current liabilities | (21,380) | (4,774) | (160) |
| Other liabilities | (23,271) | (23,273) | (779) |
| Net cash provided by (used in) operating activities | <u>27,633</u> | <u>(71,835)</u> | <u>(2,404)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of properties | (14,895) | (6,895) | (231) |
| Proceeds from disposal of properties | 286 | 1,097 | 37 |
| Decrease (increase) in refundable deposits | (75) | 113 | 4 |
| Increase in deferred charges | (3,363) | (5,460) | (183) |
| Net cash used in investing activities | <u>(18,047)</u> | <u>(11,145)</u> | <u>(373)</u> |

(Continued)

FORTUNE ELECTRIC CO., LTD.

STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2011 AND 2012 (In Thousands)

| | <u>2011</u> | <u>2012</u> | |
|---|-------------------|-------------------|-----------------|
| | NT\$ | NT\$ | US\$ (Note) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Increase (decrease) in short-term debts | \$ (4,992) | \$ 111,600 | \$ 3,735 |
| Increase (decrease) in guarantee deposits received | <u>322</u> | <u>(534)</u> | <u>(18)</u> |
| Net cash provided by (used in) financing activities | <u>(4,670)</u> | <u>111,066</u> | <u>3,717</u> |
| NET INCREASE IN CASH | 4,916 | 28,086 | 940 |
| CASH, BEGINNING OF PERIOD | <u>25,617</u> | <u>9,325</u> | <u>312</u> |
| CASH, END OF PERIOD | <u>\$ 30,533</u> | <u>\$ 37,411</u> | <u>\$ 1,252</u> |
| SUPPLEMENTARY INFORMATION | | | |
| Interest paid | <u>\$ 2,692</u> | <u>\$ 6,389</u> | <u>\$ 214</u> |
| Income tax paid | <u>\$ 13,062</u> | <u>\$ -</u> | <u>\$ -</u> |
| NON-CASH INVESTING AND FINANCING ACTIVITIES | | | |
| Dividends payable | <u>\$ 261,059</u> | <u>\$ 130,529</u> | <u>\$ 4,368</u> |
| Transfer properties to assets leased to others | <u>\$ 58,404</u> | <u>\$ -</u> | <u>\$ -</u> |

Note: The accompanying financial statements are stated in New Taiwan dollars, the currency of the country in which the Company is incorporated and operates. The translation of New Taiwan dollar amounts into U.S. dollar amounts is included solely for the convenience of the readers outside of the Republic of China and has been made at the rate of NT\$29.88 to US\$1.00 at June 30, 2012, the base rate announced by Bank of Taiwan. Such translations should not be constructed as representations that the New Taiwan dollar amounts could be converted at that or any other rate.

(Concluded)