

**Fortune Electric Co., Ltd.**

**Financial Statements for the  
Years Ended December 31, 2011 and 2012 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, 2012 and 2011 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, 2012 and 2011 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 22, 2013

### 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 2012**  
**(In Thousands, Except Par Value)**

ASSETS	2011	2012		LIABILITIES AND STOCKHOLDERS' EQUITY	2011	2012	
	NT\$	NT\$	US\$ (Note)		NT\$	NT\$	US\$ (Note)
<b>CURRENT ASSETS</b>				<b>CURRENT LIABILITIES</b>			
Cash	\$ 9,325	\$ 23,226	\$ 800	Short-term debts	\$ 527,443	\$ 516,696	\$ 17,792
Financial asset at fair value through profit or loss - current	1,850	898	31	Notes payable	14,946	13,031	449
Notes receivable	115,062	43,052	1,483	Accounts payable	770,833	856,405	29,490
Accounts receivable, net of allowance of NT\$10,743 in 2011 and NT\$10,497 in 2012	1,642,216	1,521,212	52,383	Accrued expenses	138,709	113,538	3,910
Other financial assets - current	48,084	23,441	807	Construction payable	371,172	160,382	5,523
Inventories, net	1,334,591	1,515,031	52,170	Customers' advances	333,127	289,686	9,975
Construction in process in excess of progressive billing	417,357	203,422	7,005	Other current liabilities	58,079	35,014	1,206
Prepayments	31,697	38,353	1,321	Total current liabilities	2,214,309	1,984,752	68,345
Deferred income tax assets - current	3,749	5,309	183				
Other current assets	77,264	61,682	2,124	<b>RESERVE FOR LAND REVALUATION INCREMENT TAX</b>	34,528	34,528	1,189
Total current assets	3,681,195	3,435,626	118,307				
<b>LONG-TERM INVESTMENTS</b>				<b>OTHER LIABILITIES</b>			
Investments accounted for using equity method	188,919	192,010	6,612	Accrued pension liability	170,709	204,155	7,030
Financial assets at fair value through profit or loss - noncurrent	2,561	-	-	Other	71,891	47,959	1,652
Financial assets carried at cost - noncurrent	99,400	99,400	3,423	Total other liabilities	242,600	252,114	8,682
Total long-term investment	290,880	291,410	10,035	Total liabilities	2,491,437	2,271,394	78,216
<b>PROPERTIES</b>				<b>STOCKHOLDERS' EQUITY</b>			
Cost				Capital stock - \$10 par value			
Land	537,173	537,173	18,498	Authorized - 275,000 thousand shares in 2011 and 2012			
Buildings and equipment	624,240	624,560	21,507	Issued - 261,059 thousand shares in 2011 and 2012	2,610,585	2,610,585	89,896
Machinery and equipment	1,015,065	1,013,734	34,908	Capital surplus			
Photovoltaic solar equipment	147,036	147,036	5,063	Additional paid-in capital	3,525	3,525	122
Other equipment	80,366	81,824	2,818	Treasury stock transactions	23,613	23,613	813
Total cost	2,403,880	2,404,327	82,794	Total capital surplus	27,138	27,138	935
Appreciation	130,748	130,748	4,502	Retained earnings			
Total cost and appreciation	2,534,628	2,535,075	87,296	Legal reserve	241,961	253,109	8,716
Accumulated depreciation	1,052,988	1,117,352	38,476	Special reserve	5,351	14,690	506
	1,481,640	1,417,723	48,820	Unappropriated earnings	175,774	93,955	3,235
Prepayment for equipment	901	137	4	Total retained earnings	423,086	361,754	12,457
Net properties	1,482,541	1,417,860	48,824	Others			
<b>OTHER ASSETS</b>				Cumulative translation adjustments	5,297	(2,012)	(69)
Assets leased to others	53,886	53,059	1,827	Net loss not recognized as pension cost	(86,013)	(110,852)	(3,818)
Refundable deposits	444	539	19	Unrealized revaluation increment	66,026	66,026	2,274
Deferred charges	14,377	11,599	399	Total others	(14,690)	(46,838)	(1,613)
Deferred income tax assets - noncurrent	14,233	13,940	480	Total stockholders' equity	3,046,119	2,952,639	101,675
Total other assets	82,940	79,137	2,725				
<b>TOTAL</b>	<b>\$ 5,537,556</b>	<b>\$ 5,224,033</b>	<b>\$ 179,891</b>	<b>TOTAL</b>	<b>\$ 5,537,556</b>	<b>\$ 5,224,033</b>	<b>\$ 179,891</b>

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\$29.04 to US\$1.00 at December 31, 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 YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

	2011	2012	
	NT\$	NT\$	US\$ (Note)
OPERATING REVENUE			
Sales	\$ 4,105,860	\$ 3,937,677	\$ 135,594
Sales returns and allowances	<u>181</u>	<u>7,128</u>	<u>245</u>
Net sales	4,105,679	3,930,549	135,349
Construction revenues	<u>435,853</u>	<u>163,408</u>	<u>5,627</u>
Net operating revenues	<u>4,541,532</u>	<u>4,093,957</u>	<u>140,976</u>
OPERATING COST			
Cost of goods sold	3,554,081	3,307,465	113,893
Construction cost	<u>445,729</u>	<u>163,290</u>	<u>5,623</u>
Total operating costs	<u>3,999,810</u>	<u>3,470,755</u>	<u>119,516</u>
GROSS PROFIT	<u>541,722</u>	<u>623,202</u>	<u>21,460</u>
OPERATING EXPENSES			
Selling expenses	286,547	424,230	14,608
General and administrative expenses	89,888	78,253	2,695
Research and development expenses	<u>90,157</u>	<u>89,103</u>	<u>3,068</u>
Total operating expenses	<u>466,592</u>	<u>591,586</u>	<u>20,371</u>
OPERATING INCOME	<u>75,130</u>	<u>31,616</u>	<u>1,089</u>
NON-OPERATING INCOME AND GAINS			
Interest income	359	316	11
Investment gain recognized under the equity method	-	10,400	358
Gain on disposal of assets, net	151	328	11
Exchange gain, net	5,033	13,024	449
Claims revenue	1,305	6,146	212
Rental	2,384	1,686	58
Valuation gain on financial assets, net	13,147	13,893	478
Government subsidies incomes	32,689	16,345	563
Other	<u>18,503</u>	<u>21,024</u>	<u>724</u>
Total non-operating income and gains	<u>73,571</u>	<u>83,162</u>	<u>2,864</u>

(Continued)

# FORTUNE ELECTRIC CO., LTD.

## STATEMENTS OF INCOME YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands, Except Earnings Per Share)

	2011		2012		
	NT\$	NT\$	NT\$	US\$ (Note)	
NON-OPERATING EXPENSES AND LOSSES					
Interest expense	\$ 6,605	\$ 11,116	\$ 383		
Investment loss recognized under the equity method	17,539	-	-		
Other	<u>1,542</u>	<u>18,646</u>	<u>642</u>		
Total non-operating expenses and losses	<u>25,686</u>	<u>29,762</u>	<u>1,025</u>		
INCOME BEFORE INCOME TAX	123,015	85,016	2,928		
INCOME TAX EXPENSE	<u>11,539</u>	<u>15,819</u>	<u>545</u>		
NET INCOME	<u>\$ 111,476</u>	<u>\$ 69,197</u>	<u>\$ 2,383</u>		
EARNINGS PER SHARE					
	2011		2012		
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax	
	NT\$	NT\$	NT\$	US\$ (Note)	NT\$
Basic	<u>\$ 0.47</u>	<u>\$ 0.43</u>	<u>\$ 0.33</u>	<u>\$ 0.01</u>	<u>\$ 0.27</u>
Diluted	<u>\$ 0.47</u>	<u>\$ 0.42</u>	<u>\$ 0.32</u>	<u>\$ 0.01</u>	<u>\$ 0.26</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\$29.04 to US\$1.00 at December 31, 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  
YEARS ENDED DECEMBER 31, 2012 AND 2011  
(In Thousands, Except Par Value)**

	Capital Stock Issued		Excess of Par Value	Paid-in Capital		Legal Reserve	Retained Earnings			Cumulative Translation Adjustments	Total Others		Total Stockholders' Equity	
	Shares (Thousand)	Amount		Treasury Stock Transaction	Total		Special Reserve	Unappropriated Earnings	Total		Net loss Not Recognized as Pension Cost	Unrealized Land Value Increment		Total
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 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	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 year ended December 31, 2012	-	-	-	-	-	-	-	69,197	69,197	-	-	-	-	69,197
Cumulative translation adjustments on long-term investments	-	-	-	-	-	-	-	-	-	(7,309)	-	-	(7,309)	(7,309)
Change in net loss not recognized as pension costs	-	-	-	-	-	-	-	-	-	-	(24,839)	-	(24,839)	(24,839)
BALANCE, DECEMBER 31, 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>\$ 93,955</u>	<u>\$ 361,754</u>	<u>\$ (2,012)</u>	<u>\$ (110,852)</u>	<u>\$ 66,026</u>	<u>\$ (46,838)</u>	<u>\$ 2,952,639</u>
BALANCE, DECEMBER 31, 2012 (IN U.S. DOLLARS)	<u>261,059</u>	<u>\$ 89,896</u>	<u>\$ 122</u>	<u>\$ 813</u>	<u>\$ 935</u>	<u>\$ 8,716</u>	<u>\$ 506</u>	<u>\$ 3,235</u>	<u>\$ 12,457</u>	<u>\$ (69)</u>	<u>\$ (3,818)</u>	<u>\$ 2,274</u>	<u>\$ (1,613)</u>	<u>\$ 101,675</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\$29.04 to US\$1.00 at December 31, 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 YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands)

	2011	2012	
	NT\$	NT\$	US\$ (Note)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income	\$ 111,476	\$ 69,197	\$ 2,383
Depreciation and amortization	89,665	87,785	3,023
Valuation gain on financial assets	(4,411)	(898)	(31)
Reversal of provision for bad debt	6,989	7,255	250
Reversal for inventory valuation	21,782	2,410	83
Investment loss (gain) recognized under the equity method	17,539	(10,400)	(358)
Net loss (gain) on disposal of properties	63	(309)	(11)
Provision for pension liabilities	7,203	8,607	296
Deferred income tax	(5,217)	(1,267)	(44)
Changes in operating assets and liabilities			
Financial assets at fair value through profit or loss	-	4,411	152
Notes receivable	(95,124)	72,010	2,480
Accounts receivable	12,885	113,749	3,917
Other financial assets - current	(4,721)	24,643	848
Inventories	(53,440)	(182,850)	(6,296)
Construction in process	242,840	213,935	7,367
Prepayments	40,254	(6,656)	(229)
Other current assets	(28,574)	15,582	536
Financial liabilities at fair value through profit or loss	(334)	-	-
Notes payable	14,946	(1,915)	(66)
Accounts payable	(134,282)	85,572	2,947
Income tax payable	(14,827)	-	-
Accrued expenses	(56,827)	(25,171)	(867)
Construction payable	51,124	(210,790)	(7,259)
Customers' advances	(63,672)	(43,441)	(1,496)
Other current liabilities	(14,217)	(23,065)	(794)
Other liabilities	(23,270)	(23,273)	(801)
Net cash provided by operating activities	<u>117,850</u>	<u>175,121</u>	<u>6,030</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Acquisition of properties	(176,028)	(12,711)	(438)
Proceeds from disposal of properties	286	1,110	38
Decrease (increase) in refundable deposits	148	(95)	(3)
Increase in deferred charges	<u>(5,564)</u>	<u>(7,589)</u>	<u>(261)</u>
Net cash used in investing activities	<u>(181,158)</u>	<u>(19,285)</u>	<u>(664)</u>

(Continued)

# FORTUNE ELECTRIC CO., LTD.

## STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2011 AND 2012 (In Thousands)

	<u>2011</u>	<u>2012</u>	
	NT\$	NT\$	US\$ (Note)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase (decrease) in short-term debts	\$ 307,741	\$ (10,747)	\$ (370)
Cash dividends paid	(261,059)	(130,529)	(4,495)
Increase (decrease) in guarantee deposits received	<u>334</u>	<u>(659)</u>	<u>(22)</u>
Net cash provided by (used in) financing activities	<u>47,016</u>	<u>(141,935)</u>	<u>(4,887)</u>
<b>NET INCREASE IN CASH</b>	(16,292)	13,901	479
<b>CASH, BEGINNING OF YEAR</b>	<u>25,617</u>	<u>9,325</u>	<u>321</u>
<b>CASH, END OF YEAR</b>	<u>\$ 9,325</u>	<u>\$ 23,226</u>	<u>\$ 800</u>
<b>SUPPLEMENTARY INFORMATION</b>			
Interest paid	<u>\$ 5,882</u>	<u>\$ 11,190</u>	<u>\$ 385</u>
Income tax paid	<u>\$ 31,583</u>	<u>\$ 23,031</u>	<u>\$ 793</u>
<b>NON-CASH INVESTING AND FINANCING ACTIVITIES</b>			
Transfer properties to assets leased to others	<u>\$ 54,871</u>	<u>\$ -</u>	<u>\$ -</u>
Transfer inventories to properties	<u>\$ 9,698</u>	<u>\$ -</u>	<u>\$ -</u>
Transfer prepayment for equipment to deferred charges	<u>\$ 790</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\$29.04 to US\$1.00 at December 31, 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)