

**Acter Co., Ltd. and Subsidiaries**  
**Consolidated Financial Statements**  
**For the Six Months Ended June 30, 2012 and 2011**  
**(Independent Accountants' review Report)**

## **Independent Accountants' review Report**

The Board of Directors  
Acter Co., Ltd.:

We have reviewed the accompanying consolidated balance sheets of Acter Co., Ltd. (Acter) and subsidiaries as of June 30, 2012 and 2011, and the related consolidated statements of operations, changes in stockholders' equity, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Acter's management. Our responsibility is to express an opinion on these consolidated financial statements based on our reviews.

We conducted our reviews in accordance with Statement on Auditing Standards No. 36, "Review of Financial Statements," issued by the Audit Standards Committee of Accounting Research and Development Foundation of the Republic of China. A review consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the Republic of China, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

The financial statements of certain subsidiaries were consolidated based on their unreviewed financial statements as of and for the six months ended June 30, 2012 and 2011. Total assets of these subsidiaries amounted to \$768,325,000 and \$200,647,000, representing 12% and 4% of the related consolidated totals, and total liabilities amounted to \$610,052,000 and \$118,836,000, representing 14% and 3% of the related consolidated totals, as of June 30, 2012 and 2011, respectively, and total net operating revenue amounted \$372,960,000 and \$97,304,000, representing 10% and 3% of the related consolidated totals for the six months ended, respectively, and total net income amounted \$50,880,000 and net loss \$1,424,000, representing 18% and 0% of the related consolidated totals for the six months ended, respectively. As described in Note 4(6) to the consolidated financial statements, the financial statements of certain long-term investments accounted under the equity method were not reviewed by independent accountants. Long-term investments in these companies amounted to \$9,983,000 and \$17,497,000 as of June 30, 2012 and 2011, respectively, and the related investment income amounted \$5,254,000 and \$0 for the six months ended, respectively. In addition, as described in the preceding paragraph, we did not review the financial statements of certain subsidiaries as above described by other reviewing procedures.

Base on our reviews, except reviously described, unreviewed subsidiaries' financial report might adjustment if inspected by independent accountant,, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China.

Hsinchu, Taiwan (the Republic of China)

July 25, 2012

The accompanying consolidated 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 accountants' review report and the accompanying consolidated 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 consolidated financial statements shall prevail.

**Acter Co., Ltd. and Subsidiaries**  
**Consolidated Balance Sheets**  
**June 30, 2012 and 2011**  
(In thousands of New Taiwan dollars)

Assets	June 30, 2012		June 30, 2011		Liabilities and Stockholders' Equity	June 30, 2012		June 30, 2011	
	Amount	%	Amount	%		Amount	%	Amount	%
<b>Current assets:</b>					<b>Current liabilities:</b>				
Cash and cash equivalents (note4(a))	\$ 2,044,010	31	942,749	16	Short-term borrowings (note4(h) and 6)	\$ 76,678	1	137,095	2
Financial assets at fair value through profit or loss – current (note4(b))	-	-	75,946	1	Notes payable	233,680	4	348,338	6
Available-for-sale financial assets – current (note4(b))	171,101	3	313,831	5	Accounts payable	2,011,468	31	1,645,433	29
Notes receivable, net (note4(c))	133,457	2	47,532	1	Payables to related parties (note 5)	-	-	2,080	-
Accounts receivable, net (note4(c))	1,882,315	29	1,733,613	30	Income tax payable	61,507	1	100,184	2
Receivables from related parties (note5)	-	-	80,817	1	Salary and wages payable	112,843	2	111,839	2
Other receivables- related parties (note5)	8,228	-	-	-	Dividend Payable	461,358	7	415,358	7
Other financial assets – current	93,755	1	175,448	3	Unearned sales revenue	482,239	7	377,326	7
Inventories, net (note4(d))	653,840	10	623,744	11	Billings on construction-in-progress, net of construction-in-progress (note4(e))	621,586	9	645,056	11
Construction-in-progress, net of billings on construction-in-progress (note4(e))	880,646	13	1,126,333	20	Deferred income tax liabilities – current (note4(j))	4,129	-	25,033	-
Deferred income tax assets – current (note4(j))	64,453	1	29,424	1	Accrued expenses and other current liabilities	61,954	1	48,803	1
Restricted assets (note6)	10,567	-	63,058	1		<u>4,127,442</u>	<u>63</u>	<u>3,856,545</u>	<u>67</u>
Other current assets and prepayments to suppliers	167,779	4	144,985	3	<b>Other liabilities</b>				
	<u>6,110,151</u>	<u>94</u>	<u>5,357,480</u>	<u>93</u>	Accrued pension liabilities (note4(i))	15,503	-	10,769	-
<b>Investments :</b>					Deposit received	312	-	312	-
Investments accounted for using equity method(note4(f))	9,983	-	17,497	-	Deferred income tax liabilities – non-current	134,775	2	96,462	2
Financial assets carried at cost – non-current (note4(b))	28,387	-	35,387	1		<u>150,590</u>	<u>2</u>	<u>107,543</u>	<u>2</u>
	<u>38,370</u>	<u>-</u>	<u>52,884</u>	<u>1</u>	<b>Total liabilities</b>	<u>4,278,032</u>	<u>65</u>	<u>3,964,088</u>	<u>69</u>
<b>Property, plant and equipment (note5 and 6):</b>					<b>Stockholders' equity (note4(k)):</b>				
Land	151,631	2	96,810	2	Common stock	461,359	7	415,359	7
Buildings	87,692	1	53,604	1	Capital surplus-additional paid-In capital-common stock	896,599	14	539,869	9
Other equipment	79,984	1	67,254	1	Retained earnings:				
	319,307	4	217,668	4	Legal reserve	216,384	3	160,418	3
Less: accumulated depreciation	(47,351)	-	(48,623)	(1)	Special reserve	-	-	11,930	-
Prepayments for equipment	38,293	1	68,629	1	Unappropriated retained earnings	692,456	11	670,106	12
	<u>310,249</u>	<u>5</u>	<u>237,674</u>	<u>4</u>		<u>908,840</u>	<u>14</u>	<u>842,454</u>	<u>15</u>
<b>Intangible assets</b>					Other adjustments to stockholders' equity:				
Computer software	8,617	-	7,349	-	Cumulative translation adjustments	17,648	-	(12,802)	-
Deferred pension cost (note4(i))	9,662	-	5,982	-	Unrecognized pension costs	(3,215)	-	(2,711)	-
Land use rights	37,611	1	36,348	1	Unrealized gains on financial instruments	931	-	(4,384)	-
	<u>55,890</u>	<u>1</u>	<u>49,679</u>	<u>1</u>		<u>15,364</u>	<u>-</u>	<u>(19,897)</u>	<u>-</u>
<b>Other assets:</b>					<b>Total stockholders' equity</b>	2,282,162	35	1,777,785	31
Lease assets (note4(g) and 6)	31,723	-	32,068	1					
Refundable deposit	9,904	-	10,459	-	<b>Commitments and contingencies (note 7)</b>				
Deferred income tax assets – non-current (note4(j))	-	-	1,113	-	<b>Total liabilities and stockholders' equity</b>	\$ <u>6,560,194</u>	<u>100</u>	\$ <u>5,741,873</u>	<u>100</u>
Other assets – other	3,907	-	516	-					
	<u>45,534</u>	<u>-</u>	<u>44,156</u>	<u>1</u>					
<b>Total assets</b>	\$ <u>6,560,194</u>	<u>100</u>	\$ <u>5,741,873</u>	<u>100</u>					

See accompanying notes to consolidated financial statements.

**Acter Co., Ltd. and Subsidiaries**

**Consolidated Statements of Operations**

**For the six months ended June 30, 2012 and 2011**

**(In thousands of New Taiwan dollars, except for earnings per common share)**

	<b>2012</b>		<b>2011</b>	
	<b>Amount</b>	<b>%</b>	<b>Amount</b>	<b>%</b>
<b>Operating revenue:</b>				
Construction revenue	\$ 2,984,730	79	3,551,161	91
Less: allowances	(1,111)	-	(76)	-
<b>Net construction revenue (note 5)</b>	<u>2,983,619</u>	<u>79</u>	<u>3,551,085</u>	<u>91</u>
Sales	757,430	20	293,536	8
Other operating revenue	25,224	1	38,438	1
<b>Net operating revenue (note 5)</b>	<u>3,766,273</u>	<u>100</u>	<u>3,883,059</u>	<u>100</u>
<b>Operating cost:</b>				
Construction cost (note 5)	2,569,548	68	3,038,035	78
Cost of goods sold (note 4(d))	640,352	17	239,509	6
Other operating cost	4,526	-	4,271	-
	<u>3,214,426</u>	<u>85</u>	<u>3,281,815</u>	<u>84</u>
<b>Gross profit</b>	<u>551,847</u>	<u>15</u>	<u>601,244</u>	<u>16</u>
<b>Operating expenses:</b>				
Selling	46,713	1	42,170	1
General and administrative	128,123	4	112,287	3
	<u>174,836</u>	<u>5</u>	<u>154,457</u>	<u>4</u>
<b>Operating income</b>	<u>377,011</u>	<u>10</u>	<u>446,787</u>	<u>12</u>
<b>Non-operating income and gains:</b>				
Interest income (note 4(c))	6,592	-	2,529	-
Gain on disposal of investment, net	1,040	-	7,981	-
Gain on reversal of bad debts	-	-	11,396	-
Other income	4,355	-	2,536	-
	<u>11,987</u>	<u>-</u>	<u>24,442</u>	<u>-</u>
<b>Non-operating expenses and loss:</b>				
Interest expense	1,667	-	700	-
Investment loss recognized by equity method (note 4(f))	5,254	-	-	-
Foreign exchange loss, net	-	-	6,102	-
Impairment loss (note 4(b))	7,000	-	-	-
Other loss	596	-	1,136	-
	<u>14,517</u>	<u>-</u>	<u>7,938</u>	<u>-</u>
<b>Income before income taxes</b>	<u>374,481</u>	<u>10</u>	<u>463,291</u>	<u>12</u>
<b>Income tax expenses (note 4(j))</b>	<u>98,255</u>	<u>3</u>	<u>155,145</u>	<u>4</u>
<b>Consolidated net income</b>	<u>\$ 276,226</u>	<u>7</u>	<u>308,146</u>	<u>8</u>
<b>Attributable to:</b>				
<b>Equity holders of the Company</b>	<u>\$ 276,226</u>	<u>7</u>	<u>308,146</u>	<u>8</u>
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>taxes</b>	<b>taxes</b>	<b>taxes</b>	<b>taxes</b>
<b>Earnings per common share (New Taiwan dollars)</b>				
<b>(note 4(l)) :</b>				
Basic earnings per common share	\$ <u>8.12</u>	<u>5.99</u>	<u>11.15</u>	<u>7.42</u>
Diluted earnings per common share	\$ <u>8.10</u>	<u>5.97</u>	<u>11.11</u>	<u>7.39</u>

See accompanying notes to consolidated financial statements.

**Acter Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Changes in Stockholders' Equity**  
**For the six months ended June 30, 2012 and 2011**  
(In thousands of New Taiwan dollars)

	<u>Common stock</u>	<u>Capital surplus</u>	<u>Legal reserve</u>	<u>Special reserve</u>	<u>Unappro- priated earnings</u>	<u>Cumulative translation adjustments</u>	<u>Unrecognized pension costs</u>	<u>Unrealized gains on financial instruments</u>	<u>Total stockholders' equity</u>
<b>Balance at January 1, 2011</b>	\$ 415,359	539,869	87,804	-	861,862	(15,067)	(2,711)	5,848	1,892,964
Appropriation of earnings (note 1):									
Legal reserve	-	-	72,614	-	(72,614)	-	-	-	-
Special reserve	-	-	-	11,930	(11,930)	-	-	-	-
Cash dividends	-	-	-	-	(415,358)	-	-	-	(415,358)
Unrealized gain on financial instruments	-	-	-	-	-	-	-	(10,232)	(10,232)
Cumulative translation adjustment	-	-	-	-	-	2,265	-	-	2,265
Net income for the six months ended June 30, 2011	-	-	-	-	308,146	-	-	-	308,146
<b>Balance at June 30, 2011</b>	<u>\$ 415,359</u>	<u>539,869</u>	<u>160,418</u>	<u>11,930</u>	<u>670,106</u>	<u>(12,802)</u>	<u>(2,711)</u>	<u>(4,384)</u>	<u>1,777,785</u>
<b>Balance at January 1, 2012</b>	\$ 461,359	896,599	160,418	11,930	921,624	34,606	(3,215)	(1,662)	2,481,659
Appropriation of earnings (note 2):									
Legal reserve	-	-	55,966	-	(55,966)	-	-	-	-
Reversal of special reserve	-	-	-	(11,930)	11,930	-	-	-	-
Cash dividends	-	-	-	-	(461,358)	-	-	-	(461,358)
Unrealized gains on financial instruments	-	-	-	-	-	-	-	2,593	2,593
Cumulative translation adjustment	-	-	-	-	-	(16,958)	-	-	(16,958)
Net income for the six months ended June 30, 2012	-	-	-	-	276,226	-	-	-	276,226
<b>Balance as of June 30, 2012</b>	<u>\$ 461,359</u>	<u>896,599</u>	<u>216,384</u>	<u>-</u>	<u>692,456</u>	<u>17,648</u>	<u>(3,215)</u>	<u>931</u>	<u>2,282,162</u>

Note 1: Remuneration to directors and supervisors and employees' bonuses in the amount of NT\$19,248 thousand and NT\$14,070 thousand, respectively, had been charged against earnings of 2010.

Note 2: Remuneration to directors and supervisors and employees' bonuses in the amount of NT\$14,428 thousand and NT\$17,232 thousand, respectively, had been charged against earnings of 2011.

See accompanying notes to consolidated financial statements.

**Acter Co., Ltd. and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**For the six months ended June 30, 2012 and 2011**  
**(In thousands of New Taiwan dollars)**

	<b>2012</b>	<b>2011</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 276,226	308,146
Adjustments:		
Gain on disposal of investment	(1,040)	(7,981)
Reversal of bad debt expense	227	(11,396)
Investment loss recognized by equity method	5,254	-
Depreciation and amortization	8,618	5,988
Deferred income tax expense	6,466	48,366
Impairment loss	7,000	-
Adjustment for other non-cash-related losses, net	202	(861)
Net change in operating assets and liabilities:		
Financial assets measured at fair value	-	(75,946)
Notes receivable and accounts receivable (including related parties)	277,580	(454,287)
Other receivables- related parties	(8,228)	-
Inventories	135,325	(312,596)
Net construction-in-progress	(91,570)	(140,432)
Other financial assets and other current assets	(5,298)	(44,704)
Notes payable and accounts payable (including related parties)	(24,581)	209,569
Income tax payable	(64,728)	(11,261)
Net billings on construction-in-progress	107,897	76,086
Accrued expenses, and other current liabilities	(307,307)	113,250
Accrued pension liabilities	(291)	413
<b>Cash provided by (used in) operating activities</b>	<b>321,752</b>	<b>(297,646)</b>
<b>Cash flows from investing activities:</b>		
(Purchase) disposal of available-for-sale financial assets	(85,348)	213,027
Decrease in restricted assets	14,143	33,356
Increase in investment accounted for using equity method	-	(17,806)
Increase in financial assets carried at cost	-	(24,000)
Acquisition of property, plant and equipment	(50,134)	(171,656)
Proceeds from property, plant and equipment	-	140
Acquisition of computer software	(1,559)	(1,673)
Acquisition of land use right	-	(36,931)
Decrease in refundable deposit(included construction refundable deposit)	15,746	45,250
Increase in other assets	(3,045)	(146)
Cash (used in) provided by investing activities	<b>(110,197)</b>	<b>39,561</b>
<b>Cash flows from financing activities:</b>		
(Decrease) increase in short-term borrowings	(83,488)	116,342
<b>Net cash provided by financing activities</b>	<b>(83,488)</b>	<b>116,342</b>
<b>Effect of exchange rate changes</b>	<b>(18,415)</b>	<b>2,601</b>
<b>Net decrease in cash and equivalents</b>	<b>109,652</b>	<b>(139,142)</b>
<b>Cash and equivalents at beginning of year</b>	<b>1,934,358</b>	<b>1,081,891</b>
<b>Cash and equivalents at end of year</b>	<b>\$ 2,044,010</b>	<b>942,749</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash payments of interest	\$ <u>1,783</u>	<u>688</u>
Cash payments of income tax paid	\$ <u>150,729</u>	<u>121,148</u>
<b>Non-cash flows from investing and financing activities:</b>		
Announced distributed cash dividend	\$ <u>461,358</u>	<u>415,358</u>

See accompanying notes to consolidated financial statements.

## Acter Co., Ltd. and Subsidiaries

### Notes to Consolidated Financial Statements

For the six months ended June 30, 2012 and 2011

(Amounts expressed in thousands of New Taiwan dollars,  
except for per share information and unless otherwise noted)

#### (1) Organization

Acter Co., Ltd. (“Acter”) was incorporated on February 19, 1979, under the approval of the Ministry of Economic Affairs, R.O.C. Acter is engaged in providing construction, design, and maintenance services related to air conditioners, environmental control services, clean room set-up, ice water machine trading, energy storing equipment trading, ventilation engineering, and energy technology services. Acter’s common shares were publicly listed on the Over-the-Counter Market (“OTC”) on November 10, 2010.

As of June 30, 2012 and 2011, Acter and its subsidiaries (“the Company”) had 877 and 811 employees, respectively.

#### (2) Summary of Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the Republic of China (ROC). The major accounting policies and measurement bases adopted in preparing the accompanying consolidated financial statements are summarized as follows:

##### (a) Overview of consolidated entities

(i) The consolidated subsidiaries of Acter are summarized below:

Investee	Investor	Business	Percentage of ownership at June 30,	
			2012	2011
Nova Technology Corp. (Nova Tech)	Acter	Wholesaling of electronic and chemical equipment	100%	100%
HerSuo Engineering Co., Ltd. (Her Suo)	Acter	Construction and set-up of freezing equipment	100%	100%
Sheng Huei International Co., Ltd. (Sheng Huei International)	Acter	Holding company	100%	100%
Nova Technology Singapore Pte., Ltd. (NTS)	Acter	Auto-supply system for semiconductors	100%	100%
Winmax Technology Corp.	Nova Tech	Design and manufacture of air containers and liquid containers	100%	100%



**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

<u>Investee</u>	<u>Investor</u>	<u>Business</u>	<u>Percentage of ownership at June 30,</u>	
			<u>2012</u>	<u>2011</u>
Sheng Huei (Suzhou) Engineering Co., Ltd.	Sheng Huei International	Construction and set-up of electronic equipment and air conditioners	100%	100%
Acter Trading Co., Ltd.	Sheng Huei International	Agent for electronic equipment importing and exporting	100%	100%
Acter International Ltd. (Acter International)	Sheng Huei International	Holding company and trading of clean rooms and air conditioners	100%	100%
New Point Group Ltd. (New Point)	Sheng Huei International	Holding company and trading of clean rooms and air conditioners	100%	100%
Sheng Huei Engineering Technology Co., Ltd.	Sheng Huei International	Set-up of electronic protection systems and central air conditioners	100%	100%
Nova Technology Malaysia Sdn. Bhd.(NTM)	Nova Technology Singapore Pte. Ltd.(NTS)	Auto-supply system for semiconductors	100%	-
Sheng Huei (Shenzhen) Engineering Co., Ltd.	Acter International	Construction and set-up of electronic equipment and air conditioners	100%	100%
Suzhou Ding-Mao Engineering Co., Ltd.	Acter International	Construction and set-up of electronic equipment and air conditioners	100%	100%
Zhangjiagang Free Trade Zone Fuyu Internation Trade Co., Ltd. (Fuyu)	New Point	Agent for electronic equipment importing and exporting	100%	100%

(ii) Change in subsidiaries included in the consolidated financial statements

In January 2012, NTS established its subsidiaries of NTM in Malaysia. As a result, NTM is consolidated and is accounted for using the equity method from the invested date.

(b) Basis of consolidation

The consolidated financial statements include the accounts of Acter and its subsidiaries in which Acter directly or indirectly owns over 50% of the voting shares and is able to exercise control over the subsidiary's operations and financial policies. Acter and such subsidiaries are referred to individually or collectively as "the Company". All significant inter-company transactions and balances are eliminated in consolidation.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

## (c) Use of estimates

The preparation of the accompanying consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, and disclosures of contingent liabilities. Actual results could differ from these estimates.

## (d) Foreign currency transactions and translation

The Company and its subsidiaries record transactions in their respective functional currency. Foreign currency transactions are recorded at the exchange rates prevailing at the transaction dates. At the balance sheet date, monetary assets and liabilities denominated in foreign currencies are translated using the exchange rates prevailing on that date. The resulting exchange gains or losses from settlement of such transactions or translations of monetary assets and liabilities are reflected in the accompanying statements of operations. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated into New Taiwan dollars at the exchange rates ruling at the dates the fair value was determined. If the non-monetary assets or liabilities are measured at fair value through profit or loss, then the resulting unrealized exchange gains or losses from such translations are recorded in current profit or loss. If the non-monetary assets or liabilities are measured at fair value through stockholders' equity, then the resulting unrealized exchange gains or losses from such translations are recorded as a separate component of stockholders' equity.

The financial statements of foreign subsidiaries are translated into New Taiwan dollars at the exchange rates prevailing on the balance sheet date, with the exception of stockholders' equity, which is translated at historical rates, and revenue, costs, and expenses, which are translated at the weighted-average exchange rates during the reporting period. Translation differences resulting from the translation of such financial statements into New Taiwan dollars are recorded as translation adjustment, a separate component of stockholders' equity.

## (e) Principles of classifying assets and liabilities as current and non-current

Assets or liabilities related to long-term construction are classified as current or non-current based on the business operation life cycle.

Cash or cash equivalents that are not restricted in use, assets held for the purpose of trading, and assets that will be held for a short time period and are expected to be converted to cash within 12 months from the balance sheet date are recorded as current assets; all other assets are recorded as non-current assets.

Liabilities that are incurred for the purpose of trading or are expected to be liquidated within 12 months after the balance sheet date are reflected as current liabilities; all other liabilities are reflected as non-current liabilities.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****(f) Asset impairment**

The Company assesses at each balance sheet date whether there is any indication that an asset may have been impaired. If any such indication exists, the Company estimates the recoverable amount of the asset. The Company recognizes impairment loss for an asset whose carrying value is higher than the recoverable amount. The Company reverses an impairment loss recognized in prior periods for assets other than goodwill if there is any indication that the impairment loss recognized no longer exists or has decreased. The carrying value after the reversal should not exceed the recoverable amount or the depreciated or amortized balance of the assets assuming no impairment loss was recognized in prior periods.

**(g) Cash equivalents**

The Company considers all highly liquid investments, such as investments in bonds with repurchase agreements, with a maturity of three months or less to be cash equivalents.

**(h) Financial instruments****1. Financial assets or liabilities measured at fair value**

Financial assets or liabilities measured at fair value are held with the intention of buying and selling them in a short period of time. Except for those that the Company holds for hedging purposes and are considered to be effective hedging instruments, financial derivatives are classified into this account.

**2. Available-for-sale financial assets**

These are measured at fair value, and any changes, excluding impairment loss and unrealized foreign currency exchange gain or loss, are reported as a separate component of stockholders' equity before gain or loss on financial instruments is realized. Realized gain or loss on financial instruments is charged to current operations. If there is objective evidence of impairment, an impairment loss is recognized in profit or loss. If, in a subsequent period, events or changes in circumstances indicate that the amount of impairment loss has decreased, the previously recognized impairment loss for equity securities is reversed to the extent of the decrease and recorded as an adjustment to equity, while for debt securities, the reversal is allowed through profit or loss provided that the decrease is clearly attributable to an event which occurs after the impairment loss is recognized.

**3. Financial assets carried at cost**

Financial instruments whose fair values could not be measured with reasonable certainty are measured at their initial cost. However, if there is any objective evidence of impairment, a loss should be recognized thereon. Thereafter, the loss could not be reversed.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

## 4. Notes receivable, accounts receivable, and other receivables

Notes and accounts receivable are the creditors' rights from selling goods or rendering services. Other receivables are created from non-operating income.

Effective January 1, 2011, for financial assets, the Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

Impairment loss is recognized and measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognized in profit or loss. The present value of estimated future cash flows includes the recoverable amount of collateral and insurance.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the reversal shall not result in a carrying amount of financial assets that exceeds what the amortized cost would have been had the impairment not been recognized at the date the impairment is reversed. The amount of the reversal shall be recognized in profit or loss.

## (i) Inventories

The cost of inventories shall comprise all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The allocation of fixed production overheads to the finished goods and work in progress is based on the normal capacity of the production facilities. Variable production overheads are allocated to each unit of production on the basis of the actual use of the production facilities. Inventories are measured at the lower of cost or net realizable value on an individual item basis. The cost of inventories is based on the weighted-average-cost principle. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period.

## (j) Construction-in-progress and billings on construction-in-progress

Construction-in-progress and billings on construction-in-progress should be recognized by separate projects. Construction-in-progress includes actual cost and net income recognized under the percentage-of-completion method. Billings on construction-in-progress refers to accumulated advance construction payment. For individual projects, if the balance of the construction-in-progress account exceeds the balance of billings on construction-in-progress, then the billings on construction-in-progress account should be subtracted from the construction-in-progress account, and the balance should be reported as a current asset. On the other hand, if the balance in the billings on construction-in-progress account exceeds the balance of the construction-in-progress account, then the construction-in-progress account, when subtracted from the billings on construction-in-progress account, should be reported as a current liability.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****(k) Long-term investments accounted for using equity method**

Long-term investments in which the Company owns more than 20% of the investee companies' voting shares or owns less than 20% but has significant influence on the investee companies are accounted for by the equity method.

**(l) Property, plant and equipment, lease assets, and depreciation**

Property, plant and equipment are stated at cost. Costs associated with significant additions, improvements, and replacements to property, plant and equipment are capitalized. Repairs and maintenance are charged to expenses as incurred.

Depreciation of property, plant and equipment of the Company is provided for by using the straight-line method over the estimated useful lives of the respective assets. The useful lives of the main property, plant and equipment are as follows:

- Buildings: 20 to 49 years
- Other equipment: 3 to 9years
- Lease assets: 5 to 37 years

At the end of each fiscal year, any changes in the remaining useful life, depreciation method, or salvage value are regarded as changes in accounting estimates.

In addition, gains or losses on the disposal of property, plant and equipment are accounted for as non-operating income or losses in the consolidated statement of operation.

**(m) Intangible assets**

Computer software is recorded at acquisition cost. Intangible asset costs are amortized using the straight-line method over the estimated useful of lives of 1 to 10 years.

The Company reviews the residual value, amortization method, and amortization period at least at the end of each fiscal year. Any changes are accounted for as changes in accounting estimates.

**(n) Land use rights**

The charges for land use rights are recorded at acquisition cost. Based on the contract period, the cost of land use rights is amortized using the straight-line method over a term of 50 years.

**(o) Reserve for guarantee**

Reserve for guarantee includes potential expense within the guarantee term. The reserve would be written off when actual expenses occur. If the reserve is not enough to be written off, the excess would be recorded as current expense.

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements****(p) Retirement plan**

Acter and its ROC subsidiaries established an employee non-contributory defined benefit retirement plan (“the Plan”) under the ROC Labor Standards Law (the “old system”) covering all regular employees. In accordance with the Plan, Acter and its ROC subsidiaries’ employees are eligible for retirement or are required to retire after meeting certain age or service requirements. Payments of retirement benefits are based on the years of service and the average salary for the six-month period before the employee’s retirement. Each employee earns two months of salary for the first fifteen years of service, and one month of salary for each year of service thereafter. The maximum retirement benefit is 45 months of salary. In accordance with the requirements of the ROC Labor Standards Law, Acter and its ROC subsidiaries have contributed monthly at the rate of 2% of salaries and wages to a pension fund.

For the Plan, Acter and its ROC subsidiaries carry out an actuarial calculation of their pension obligation at year-end. Based on the actuarial calculation, Acter and its ROC subsidiaries recognize a minimum pension liability and net periodic pension costs covering the service lives of the retirement plan participants, including current service cost, net obligation at transition, prior service cost, and pension gains or losses amortized on a straight-line basis.

Beginning July 2005, pursuant to the ROC Labor Pension Act (hereinafter referred to as the “New Act”), employees who elected to participate in the New Act or joined Acter and its ROC subsidiaries after July 1, 2005, are covered by a defined contribution plan under the New Act. For these employees, Acter and its ROC subsidiaries are required to make a monthly contribution at a rate no less than 6% of the employee’s monthly wages to the employee’s individual pension fund account at the ROC Bureau of Labor Insurance.

Certain of the Company’s foreign subsidiaries have set up their retirement plans based on local government regulations. Contributions to these plans are expensed as incurred.

**(q) Share-based payment**

A capital increase by cash arising from the exercise of employee stock subscription rights commencing from January 1, 2008, is accounted for in accordance with ARDF Interpretation No. (96) 267 and Statement of Financial Accounting Standards (SFAS) No. 39. According to this Interpretation, compensation cost is calculated based on the option-pricing model on the grant date and is amortized over the vesting period. If the stock cannot be fairly evaluated before its public offering, the intrinsic value is used to recognize the compensation cost. The grant date is either the ex-rights date or the date of approval by the board of directors if the approval from the board of directors is required.

**(r) Construction revenue and construction income**

For construction projects lasting longer than one year, when the construction profits can be reasonably estimated, the percentage-of-completion method is applied. Reasonably dependable estimates of construction profit occur when the following conditions are met:

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

1. Dependable estimates can be made of total accounts receivable.
2. Estimates for contract costs to be invested to complete the contract and the degree of its completion at the end of the period are reasonable dependable.
3. Costs belonging to the contract can be reasonably identified.

Under the percentage-of-completion method, contract profit for the current period is the difference between the cumulative profit based on the percentage of completion at the end of the current period and the cumulative profit recognized in prior periods. However, if the cumulative profit recognized in prior periods is greater than the cumulative profit calculated based on the percentage of completion at the end of the current period, the excess should be recorded as a loss in the current period. The percentage of completion is measured using the construction cost percentage method, under which the degree of completion is measured by the ratio of costs already incurred to an estimate of the total costs to complete the project. When there are changes in construction contract prices or estimates of total construction costs, such changes should be treated as changes in accounting estimates.

When the construction project is shorter than one year or the construction profits cannot be reasonably estimated, the completed-contract method is applied. The construction profits are recognized only when the contract is completed or substantially completed except for some miscellaneous work.

When the economic situation changes, a project can be changed from applying the completed-contract method to the percentage-of-completion method.

If a contract is estimated to bear a loss prior to completion, the full amount of the loss should be recognized immediately whether the completed-contract or percentage-of-completion method is adopted. However, if the loss is estimated to be smaller in future years, the difference should be reversed and recognized as a gain in that year.

(s) Revenue recognition

Sales revenue is recognized when title to the products and the risks and rewards of ownership are transferred to the customers, which occurs principally at the time of shipment. Sales of machines and equipment are recognized as soon as the machines and equipment are delivered and inspected and the related risk is transferred to the customers.

(t) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred income taxes are determined based on differences between the financial statements and tax basis of assets and liabilities using the enacted tax rates in effect during the years in which the differences are expected to reverse. The income tax effects resulting from taxable temporary differences are recognized as deferred income tax liabilities. The income tax effects resulting from deductible temporary differences and income tax credits are recognized as deferred income tax assets. The realization of the deferred income tax assets is evaluated, and if it is considered more likely than not that the asset will not be realized, a valuation allowance is recognized accordingly.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

According to SFAS No. 22 "Income Taxes," when a change in the income tax rate is enacted, any deferred tax liability or asset should be recomputed accordingly in the period of change. The difference between the new amount and the original amount, that is, the effect of changes in the deferred tax liability or assets, should be reported as an adjustment to income tax expense (benefit) for income from continuing operations.

Classification of the deferred income tax assets or liabilities as current or non-current is based on the classification of the related assets or liabilities. If the deferred income tax asset or liability is not directly related to a specific asset or liability, the classification is based on the expected realization period.

According to the ROC Income Tax Act, Acter and its ROC subsidiaries' earnings are subject to an additional 10 percent corporate income surtax if not distributed. This surtax is charged to income tax expense in the following year when the shareholders decide not to distribute the earnings.

The income tax return of each consolidated entity is filed separately and is not consolidated with Acter's filing. The Company's income tax expense in the consolidated financial statements includes the accounts of Acter and its subsidiaries.

(u) Employees' bonuses and remuneration paid to directors and supervisors

Effective January 1, 2008, and in accordance with Interpretation No. (96) 052 issued by the Accounting Research and Development Foundation ("ARDF"), the Company estimates employees' bonuses and remuneration of directors and supervisors and charges them to current operations, classified under cost of goods sold and operating expense, as appropriate. The difference, if any, between the amount approved by stockholders in the subsequent year and the amount estimated in the current-year financial statements is accounted for as a change in accounting estimate, and charged to profit or loss in the subsequent year.

(v) Earnings per common share ("EPS")

Basic EPS are computed by dividing net income by the weighted-average number of common shares outstanding during the year. The weighted-average number of outstanding shares is retroactively adjusted for the effect of stock dividends transferred from retained earnings and capital surplus to common stock, and employee stock bonuses issued prior to January 1, 2009. Effective January 1, 2009, EPS are no longer retroactively adjusted for employee stock bonuses. The Company's employee stock options and employee stock bonuses to be issued after January 1, 2009, are potential common stock. If all the potential common stock is not dilutive, only the basic EPS are disclosed. Otherwise, both the basic EPS and dilutive EPS are disclosed. In computing the diluted EPS, net income (loss) and the weighted-average number of common shares outstanding during the year are adjusted for the effects of dilutive potential common stock, assuming the dilutive share equivalent had been issued.

(Continued)



**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

(w) Operating segment information

An operating segment is a component of an entity that has the following characteristics: (a) engaging in business activities from which it may earn revenues and incur expenses; (b) whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance; and (c) for which discrete financial information is available.

**(3) Reasons for and Effect of Changes in Accounting Principles**

Effective from January 1, 2011, the Company adopted the newly released SFAS No. 41 "Operating Segments". This statement requires identification and disclosure of operating segments on the basis of how the Company's chief operating decision maker regularly reviews information in order to allocate resources and assess performance. The Company discloses the operating segment information in the consolidated financial statements rather than in the individual financial statements. SFAS No. 41 supersedes SFAS No. 20 "Segment Reporting." The adoption of the newly released SFAS did not have any influence on the consolidated financial statements for the six months ended June 30, 2012.

Effective from January 1, 2011, the Company adopted the newly revised SFAS No. 34 "Financial Instruments: Recognition and Measurement". The recognition, measurement, and impairment evaluation of receivables are subject to the newly revised SFAS. The adoption of the newly released SFAS did not have any influence on net income and basic earnings per share for the six months ended June 30, 2012.

**(4) Explanation of Significant Accounts**

(a) Cash and cash equivalents

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Petty cash and cash on hand	\$ 2,567	2,075
Checking and demand deposits	989,495	751,604
Time deposits	153,085	119,156
Cash equivalent – repurchased commercial paper	898,863	69,914
	<b>\$ 2,044,010</b>	<b>942,749</b>

The repurchased commercial paper rate was 0.83% and 0.70% on June 30, 2012 and 2011, and the commercial paper mature July 13, 2012 and July 14, 2012, respectively.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (b) Financial assets

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Financial assets at fair value through profit or loss – current		
Convertible bonds	\$ -	18,020
Structured product with guaranteed principal	-	57,926
	<u>\$ -</u>	<u>75,946</u>
Available-for-sale – current		
Mutual funds (Open-end funds)	\$ <u>171,101</u>	<u>313,831</u>
Financial assets carried at cost – non-current		
Sunner Solar Co., Ltd. (Sunner Solar)	\$ 35,342	35,342
Taichung International Entertainment Co., Ltd.	45	45
	35,387	35,387
Less: accumulated impairment loss	(7,000)	-
	<u>\$ 28,387</u>	<u>35,387</u>

The above investments did not have quoted prices in an active market, and their fair value could not be reliably measured. Thus, they were classified under financial assets carried at cost. Due to Sunner Solar's operation condition had deteriorated, the Company recognized the impairment loss \$7,000 in the second quarter of 2012.

Sunner Solar launched a capital increase in October 2010, and the Company purchased 2,000 thousand shares in March 2011. The purchases amounted to \$24,000.

Further, the Company has offered multiple asset-pledged bonds for guarantee. These guarantees amounted to \$2,304 on June 30, 2011, recorded in restricted assets-current. Please refer to note (6).

## (c) Notes and accounts receivable, net

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Notes receivable	\$ <u>133,457</u>	<u>47,532</u>
Accounts receivable	1,907,713	1,767,817
Less: allowance for doubtful accounts	(25,398)	(34,204)
	<u>1,882,315</u>	<u>1,733,613</u>
	<u>\$ 2,015,772</u>	<u>1,781,145</u>

The above-mentioned notes receivable and accounts receivable were not undiscounted or pledged.

The maturity period of short liquidity of accounts receivable and notes receivable are not discounted, the carrying amount approximates fair value due to their short term nature.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (d) Inventories

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Finished goods and merchandise	\$ 395,625	105,108
Work in process and semi-finished goods	198,767	423,610
Raw materials	59,656	96,463
Less: provision for inventory devaluation	(208)	(1,437)
	59,448	95,026
	<u>\$ 653,840</u>	<u>623,744</u>

For the six months ended June 30, 2012, the Company wrote down operating cost of \$85 due to adjust inventory holding costs to net realizable value. For the six months ended June 30, 2011, the Company sold inventories wrote off the valuation allowance and reduced cost of goods sold less \$ 721.

## (e) Construction-in-progress and billings on construction-in-progress

- For construction-in-progress in excess of billings on construction-in-progress, the amount is netted off as a current asset, as follows:

	<u>June 30, 2012</u>	
<u>Construction Project</u>	<u>Construction in progress</u>	<u>Billings on construction in progress</u>
70XX7	\$ 411,516	338,433
A09XXX1	171,987	104,969
11XXX3	334,358	289,394
Other (net amount less than 5%)	2,100,926	1,405,345
	3,018,787	<u>2,138,141</u>
Less: billings on construction in progress	(2,138,141)	
Net amount	<u>\$ 880,646</u>	

The net construction-in-progress abovementioned under the completed-contract method and percentage-of-completion method was \$556,594 and \$324,052, respectively.

	<u>June 30, 2011</u>	
<u>Construction Project</u>	<u>Construction in progress</u>	<u>Billings on construction in progress</u>
A0XX1	\$ 558,675	367,924
70XX7	398,481	292,762
AJXX0	99,870	21,515
A6XX4	116,611	41,187
A0XXXX1	86,306	22,279
Other (net amount less than 5%)	2,766,306	2,154,249
	4,026,249	<u>2,899,916</u>
Less: billings on construction in progress	(2,899,916)	

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

Net amount \$ **1,126,333**

The net construction-in-progress abovementioned under the completed-contract method and percentage of completion method was \$430,464 and \$695,869, respectively.

2. For billings on construction-in-progress in excess of construction-in-progress, the amount is netted off as a current liability, as follows:

	<u>June 30, 2012</u>	
<u>Construction Project</u>	<u>Construction in progress</u>	<u>Billings on construction in progress</u>
110XXX3	\$ 277,232	434,118
A10XXX1	113,379	165,933
Other (net amount less than 5%)	<u>2,626,275</u>	<u>3,038,421</u>
	\$ <u><b>3,016,886</b></u>	3,638,472
Less: construction in progress		<u>(3,016,886)</u>
Net amount		<u><b>621,586</b></u>

The net billings on construction-in-progress abovementioned under the completed-contract method and percentage-of-completion method were \$314,723 and \$306,863, respectively.

	<u>June 30, 2011</u>	
<u>Construction Project</u>	<u>Construction in progress</u>	<u>Billings on construction in progress</u>
A1XX6	\$ 124,097	166,050
N3XXXXXX1	155,984	200,070
Other (net amount less than 5%)	<u>693,826</u>	<u>1,252,843</u>
	\$ <u><b>973,907</b></u>	1,618,963
Less: construction in progress		<u>(973,907)</u>
Net amount		<u><b>645,056</b></u>

The net billings on construction-in-progress abovementioned under the completed-contract method and percentage-of-completion method were \$401,409 and \$243,647, respectively.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

3. Significant construction-in-progress projects (more than 20% of common stock) were as follows:

<b>June 30, 2012</b>					
<u>Industry</u>	<u>Contract prices</u>	<u>Estimated total costs</u>	<u>Percentage of completion</u>	<u>Expected year of completion</u>	<u>Accumulated construction profit (loss)</u>
Percentage-of-completion method:					
General	3,572,252	3,287,704	0~99	101~103	116,033
Semiconductor	115,000	100,273	84	101	12,312
Opto-electronic	1,725,603	1,757,794	0~94	101~102	(49,456)
Other technology	560,339	424,400	80	101	108,417
Completed-contract method:					
General	409,518	392,970	0~2	102	-
Semiconductor	1,092,395	1,002,515	22~96	101	-
Opto-electronic	521,277	493,381	72	101	-
Other technology	834,811	697,552	1~79	101	-
<b>June 30, 2011</b>					
<u>Industry</u>	<u>Contract prices</u>	<u>Estimated total costs</u>	<u>Percentage of completion</u>	<u>Expected year of completion</u>	<u>Accumulated construction profit (loss)</u>
Percentage-of-completion method:					
General	2,538,552	2,352,865	0~98	100~102	76,036
Semiconductor	641,565	584,355	87	100	49,802
Opto-electronic	267,488	257,773	85	101	8,258
Other technology	607,284	537,642	85~95	100	60,771
Completed-contract method:					
General	286,213	281,069	0~68	100	-
Semiconductor	1,795,252	1,665,510	7~99	100~101	(5,011)
Opto-electronic	1,736,003	1,729,794	0~88	100~101	(68,201)
Other technology	1,668,400	1,443,753	0~90	100~101	-

(f) Investments accounted for using equity method

	<b>June 30, 2012</b>			
	<u>Accumulation of the original investment cost</u>	<u>Percentage of ownership</u>	<u>Book value</u>	<u>Recognize investment loss</u>
SCEC International (HK) Company Limited	\$ 17,806	45.00	9,918	5,254
Leading Tek Corporation	10,000	32.26	65	-
			<u>9,983</u>	<u>5,254</u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

	<b>June 30, 2011</b>			
	<u>Accumulation of the original investment cost</u>	<u>Percentage of ownership</u>	<u>Book value</u>	<u>Recognize investment loss</u>
SCEC International (HK) Company Limited	\$ 17,806	45.00	17,432	-
Leading Tek Corporation	10,000	32.26	<u>65</u>	<u>-</u>
			<u><b>17,497</b></u>	<u><b>-</b></u>

The abovementioned long-term investments were not pledged.

The Company recorded loss on investment under the equity method of \$5,254 and \$0 for the six months ended June 30, 2012 and 2011, respectively. These amounts accounted for under the equity method were based solely on their financial statements which were not reviewed by independent accountants.

In order to expand business in Mainland China, the Company invested USD605 thousand in SCEC International (HK) Company Limited through Sheng Huei International Co., Ltd. in the second quarters of 2012 and 2011. The percentage of holding became 45%. The Company also indirectly founded SCEC International (Shanghai) Company Limited.

## (g) Lease assets

	<b>June 30</b>	
	<u>2012</u>	<u>2011</u>
Cost:	\$ 20,937	20,937
Land	12,561	12,561
Buildings	<u>86</u>	<u>86</u>
Equipment	33,584	33,584
	\$ <u>(1,861)</u>	<u>(1,516)</u>
Less: depreciation	<u><b>31,723</b></u>	<u><b>32,068</b></u>

The board of directors of Acter resolved in November 2006 to purchase the building on Chiang Kai-shek Road, Taichung, for self-use or lease purposes. As to June 30, 2012, the future receivable for the Company was as follows:

<u>Term</u>	<u>Amount</u>
2012.07.01~2013.08.09	\$ <u><b>975</b></u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (h) Short-term borrowings

	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Letter of credit borrowings	\$ 56,075	-
Pledged borrowings	20,603	137,095
	<u>\$ 76,678</u>	<u>137,095</u>
Unused facilities	\$ 2,425,816	1,508,570
Interest rate	<u>2.1~2.4%</u>	<u>1.8%~6.7%</u>

The abovementioned pledged borrowings please refer to note 6.

## (i) Retirement plan

The components of pension information are summarized as follows:

	<b>For the six months ended</b>	
	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Retirement funds balance , end of period	\$ <u>9,139</u>	<u>13,227</u>
Current pension costs		
Defined benefit pension costs	\$ 971	813
Defined contribution pension costs	7,944	7,238
	<u>\$ 8,915</u>	<u>8,051</u>
Deferred pension cost	\$ <u>9,662</u>	<u>5,982</u>
Accrued pension liability, end of period	\$ <u>15,503</u>	<u>10,769</u>

## (j) Income tax

The statutory income tax rate applicable to Acter and abide by the Income Basic Tax Act. The tax rates for the other subsidiaries of Acter are based on the tax law of their jurisdiction.

For the six months ended June 30, 2012 and 2011, income tax expense was as follows:

	<b>For the six months ended</b>	
	<b>June 30</b>	
	<b>2012</b>	<b>2011</b>
Current income tax expense	\$ 91,789	106,779
Deferred income tax expense	6,466	48,366
	<u>\$ 98,255</u>	<u>155,145</u>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

The reconciliation of the expected income tax expense at the statutory tax rate and the actual income tax expense for the six months ended June 30, 2012 and 2011, was as follows:

	<b>For the six months ended</b>	
	<b>June 30</b>	
	<u>2012</u>	<u>2011</u>
Income tax expense computed at the statutory tax rate	\$ 63,662	78,760
Difference due to local tax rates of subsidiaries	10,291	19,858
Gain on long-term investment in foreign subsidiaries	15,667	25,540
Tax effect of permanent differences	4,948	(831)
Additional 10% surtax on undistributed earnings	5,427	29,076
Change in valuation on deferred income tax assets	722	73
Effect of tax rate adjustment	-	(56)
Prior-year adjustment and others	(2,462)	2,725
Income tax expense	<u>\$ 98,255</u>	<u>155,145</u>

The temporary differences and tax credits, and their effects on deferred income tax assets (liabilities) were as follows:

	<b>June 30</b>			
	<u>2012</u>		<u>2011</u>	
	<u>Amount</u>	<u>Income tax effect</u>	<u>Amount</u>	<u>Income tax effect</u>
Deferred tax assets – current:				
Guarantee cost	\$ 55,800	11,135	49,297	9,686
Estimated construction loss	570	97	68,253	11,603
Unrealized decline in value of inventory	208	35	1,437	244
Allowance for doubtful accounts over the limit	16,979	4,245	20,897	4,021
Unrealized foreign exchange gains	(67)	(11)	7,037	1,196
Difference in accounting policy generated from construction income of foreign subsidiaries	146,032	36,508	(113,385)	(28,336)
Net operating loss carryforwards used	119	30	-	-
Other temporary differences	40,952	9,559	26,240	6,159
		61,598		4,573
Less: valuation allowance		(1,274)		(182)
		<u>\$ 60,324</u>		<u>4,391</u>
Deferred tax assets (liabilities) –				
Non-current:				
Net operating loss carryforwards used	\$ -	-	4,459	1,115
Gain on overseas investment accounted for using equity method	(769,732)	(130,855)	(579,197)	(98,464)
Cumulative translation adjustments	(23,061)	(3,920)	13,618	2,314
Other	-	-	(1,849)	(314)
		<u>\$ (134,775)</u>		<u>(95,349)</u>

(Continued)



## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

	<b>June 30</b>			
	<b>2012</b>		<b>2011</b>	
	<b><u>Amount</u></b>	<b><u>Income tax effect</u></b>	<b><u>Amount</u></b>	<b><u>Income tax effect</u></b>
Total deferred tax assets	\$ 61,609		36,338	
Total deferred tax liabilities		(134,786)		(127,114)
Total valuation allowance		<u>(1,274)</u>		<u>(182)</u>
		<b><u>\$ (74,451)</u></b>		<b><u>(90,958)</u></b>
Stated by consolidated entities				
Deferred tax assets – current	\$ 64,453		29,424	
Deferred tax assets – non-current		-		1,113
Deferred tax liabilities – current		(4,129)		(25,033)
Deferred tax liabilities – non-current		<u>(134,775)</u>		<u>(96,462)</u>
		<b><u>\$ (74,451)</u></b>		<b><u>(90,958)</u></b>

Acter's, Hersuo's, and Nova Technology's income tax returns have been examined by the tax authorities through year 2009, 2009 and 2009, respectively.

The shareholders' imputation credit account, retained earnings, and imputation credit ratio were as follows:

	<b>June 30</b>	
	<b><u>2012</u></b>	<b><u>2011</u></b>
Unappropriated retained earnings:		
Beginning after January 1, 1998	<b><u>\$ 692,456</u></b>	<b><u>670,106</u></b>
Imputation credit account balance	<b><u>\$ 174,606</u></b>	<b><u>59,528</u></b>
	<b>2011</b>	<b>2010</b>
	<b><u>(estimated)</u></b>	<b><u>(actual)</u></b>
Creditable ratio for earnings distribution to resident stockholders	<b><u>18.70%</u></b>	<b><u>16.44%</u></b>

## (k) Stockholders' equity

## 1. Common stock

Pursuant to a resolution by the board of the directors on September 20, 2011, Acter increased its common stock by issuing 4,600 thousand shares for cash at \$86.5 per share. This capital increase was registered with the government authorities. The record date for this capital increase was November 18, 2011.

As of June 30, 2012 and 2011, the authorized common stock was \$720,000 and the issued common stock amounted to \$461,359 and \$415,359, respectively, with par value of \$10 per share.

(Continued)

**Acter Co., Ltd. and Subsidiaries****Notes to Consolidated Financial Statements**

## 2. Capital surplus

According to the revised ROC Company Act, effective from January 2012, capital surplus shall be used to offset accumulated deficits before it can be used to increase common stock or distribute cash dividends. The aforementioned capital surplus includes premium from issuing stock and donations received. Pursuant to the Regulations Governing the Offering and Issuance of Securities by Securities Issuers, the sum total of capital surplus capitalized per annum shall not exceed 10% of the issued capital.

## 3. Legal reserve

According to the revised ROC Company Act, 10 percent of the annual earnings after payment of income taxes due and offsetting accumulated deficits, if any, shall be allocated as legal reserve until the accumulated legal reserve equals the issued common stock. When a company incurs no loss, it may, pursuant to a resolution to be adopted by a stockholders' meeting, distribute its legal reserve to stockholders by issuing new shares or by cash, and only the portion of legal reserve which exceeds 25 percent of the issued capital may be distributed.

## 4. Special reserve

According to ROC SFB regulations, a publicly listed company should retain a special reserve equal to any contra account of deduction from stockholders' equity such as foreign currency translation adjustments before distribution of earnings. If the aforementioned deduction from stockholders' equity is reversed, the same amount could be removed from special reserve and transferred to unappropriated earnings.

## 5. Distribution of earnings and dividend policy

According to Acter's articles of incorporation, 10% of the annual earnings, after offsetting any accumulated deficit and payment of income taxes due, if any, shall be set aside as a legal reserve. In addition, a special reserve in accordance with applicable laws and regulations shall also be set aside. The remainder of such appropriation should be as follows:

- (i) 2% or more as bonuses to employees. However, Acter may include employees of subsidiaries in profit sharing in the form of stock.
- (ii) 3% as remuneration to directors.
- (iii) After deducting items (i) and (ii) above from the net current profits, profit sharing to employees of not less than 10%; the distribution of the remaining portion including the previous years unappropriated earnings, if any, will be recommended by the board of directors and resolved in the stockholders' meeting.

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

For the six months ended June 30, 2012 and 2011, the employee bonuses and remuneration to directors and supervisors were based on the Company's net income for the years then ended, the board of directors estimated the amount by taking into consideration the Company's articles of incorporation. Accordingly, the Company recognized and accrued employee bonuses of \$7,254 and \$9,393 for the six months ended June 30, 2012 and 2011, respectively. The Company also recognized remuneration to directors and supervisors of \$7,776 and \$8,241 for the six months ended June 30, 2012 and 2011, respectively. For employee stock bonuses, the distribution amount is determined by dividing the total approved bonus amount by the closing market price of the Company's stock one day prior to the approved date and considering the ex-dividend effect. However, if the amounts are modified by the stockholders' meeting in the following year, the adjustment will be treated as a change in accounting estimate and will be reflected in the statement of income in the actual distribution year.

The actual distribution of employee bonuses and directors' and supervisors' remuneration for the six months ended June 30, 2012 was subject to the proposal of the board of directors and a resolution of the stockholders' meeting. Relevant information would be available on the Market Observation Post System of the Taiwan Stock Exchange after the above-mentioned meetings.

On June 18, 2012, and June 15, 2010, the meeting of stockholders of Acter approved the plan for distribution of retained earnings proposed by the board of directors. Information about Acter's directors' and supervisors' remuneration and employees' bonuses which were distributed from unappropriated earnings of 2011 and 2010 is as follows:

	<u>2011</u>	<u>2010</u>
Dividends per share:		
Cash	\$ <u>10.00</u>	<u>10.00</u>
Employees' bonuses—cash	\$ 17,232	14,070
Directors' and supervisors' remuneration	<u>14,428</u>	<u>19,248</u>
	<u>\$ 31,660</u>	<u>33,318</u>

The above earnings distribution, which was charged to expense, had no difference from the resolution of Acter's board of directors.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (l) Earnings per common share (“EPS”)

For the six months ended June 30, 2012 and 2011, the earnings per common share and diluted earnings per common share were as follows:

	<u>For the six months ended June 30,</u>			
	<u>2012</u>		<u>2011</u>	
	<u>Before Taxes</u>	<u>After Taxes</u>	<u>Before Taxes</u>	<u>After Taxes</u>
Basic earnings per common share:				
Net income	\$ <u>374,481</u>	<u>276,226</u>	<u>463,291</u>	<u>308,146</u>
Weighted-average common shares outstanding (thousand shares)	<u>46,136</u>	<u>46,136</u>	<u>41,536</u>	<u>41,536</u>
Basic earnings per common share (NTD)	\$ <u>8.12</u>	<u>5.99</u>	<u>11.15</u>	<u>7.42</u>
Diluted earnings per common share:				
Net income	\$ <u>374,481</u>	<u>276,226</u>	<u>463,291</u>	<u>308,146</u>
Weighted-average common shares outstanding (thousand shares)	46,136	46,136	41,536	41,536
Diluted weighted-average common shares outstanding (thousand shares)	<u>104</u>	<u>104</u>	<u>148</u>	<u>148</u>
	<u>46,240</u>	<u>46,240</u>	<u>41,684</u>	<u>41,684</u>
Diluted earnings per common share (NTD)– retroactively adjusted	\$ <u>8.10</u>	<u>5.97</u>	<u>11.11</u>	<u>7.39</u>

The Company is publicly traded stocks, the Company considered the closing price on the balance sheet day, before the shareholders' meeting and after considering the dilutive effect of dividends when calculate the number of diluted shares for employee bonus.

## (m) Financial instruments

1. The Company signed forward foreign currency exchange contracts with banks. The contracts' purpose is to manage the foreign exchange rate risk exposure of foreign operations. The instruments do not satisfy the conditions for applying hedge accounting, and are recorded as financial liabilities carried at fair value. The forward foreign currency exchange contracts had been delivery and the profit is \$42 for the six months ended June 30, 2012, recorded in other loss.

All forward foreign currency exchange contracts had expired on June 30, 2012.

(Continued)

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

Changes in fair value caused unrealized profit and loss on financial assets of \$576 and \$0 for the six months ended June 30, 2012 and 2011, respectively. As of June 30, 2011, the Company's holding financial instruments transactions were as follows:

	<b>June 30</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Publicly quoted market price</b>	<b>Fair value based on valuation technique</b>	<b>Publicly quote market price</b>	<b>Fair value based on valuation technique</b>
Financial assets:				
Convertible bonds	\$ -	-	18,020	-
Structured product with guaranteed principal	-	-	-	57,926

2. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:
- (i) The fair value of financial instruments at fair value through profit or loss is the active market quoted price if it is available. If an active market quoted price is unavailable, the Company will determine the fair value based on an evaluation method, and the estimates and assumptions incorporated in such evaluation are consistent with those used by market participants in their pricing of financial instruments.
  - (ii) The Company's non-derivative financial assets or liabilities with short maturities include notes and accounts receivable (including related parties), other financial assets, restricted assets, refundable deposit, notes and accounts payable (including related parties), salary and wages payable, and dividends payable, whose fair value was estimated based on book value at the balance sheet date. The carrying amounts approximate their fair value due to the short maturities of these items.
  - (iii) It is not practicable to determine the fair values of financial assets carried at cost when these investments are not publicly traded. Refer to note 4(c) for the details.
3. As of June 30, 2012 and 2011, the fair values of the Company's financial assets and liabilities determined by publicly quoted market prices, if available, or determined using a valuation technique were as follows:

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

	June 30			
	2012		2011	
	Publicly quoted market price	Fair value based on valuation technique	Publicly quoted market price	Fair value based on valuation technique
Financial assets:				
Cash and cash equivalents	\$ 2,044,010	-	942,749	-
Financial assets at fair value through profit or loss – current	-	-	18,020	57,926
Available-for-sale financial assets (including restricted)	171,101	-	316,135	-
Notes and accounts receivable (including related parties)	-	2,015,772	-	1,861,962
Other receivables- related parties	-	8,228	-	-
Other financial assets – current	-	93,755	-	175,448
Restricted assets	10,567	-	60,754	-
Refundable deposit	-	9,904	-	10,459
Financial liabilities:				
Short-term borrowings	-	76,678	-	137,095
Notes and accounts payable (including related parties)	-	2,245,148	-	1,995,851
Salary and wages payable	-	112,843	-	111,839
Dividends payable	-	461,358	-	415,358

## 4. Financial risk information

## (i) Market risk

Beneficiary certificates and listed stock held by the Company are presented under financial assets measured at fair value or available-for-sale financial assets. Such assets are measured at fair value, and the Company is exposed to market price volatility. In order to prevent the foreign exchange risk of purchases in Japanese Yen, the Company engaged in forward currency contracts to hedge. In this way, the potential exchange gain or loss generated by foreign assets or liabilities would be offset by those generated by the hedge instruments, and result in minor impact on the Company.

## (ii) Credit risk

The Company's potential credit risk is derived primarily from cash, beneficiary certificates, and accounts receivable. The Company maintains its cash in various creditworthy financial institutions and purchases funds and commercial paper issued by companies with good credit ratings. Credit risk exposure to each financial institution is controlled by the Company. As a result, the Company believes that there is no concentration of credit risk in cash and beneficiary certificates.

(Continued)

## Acter Co., Ltd. and Subsidiaries

### Notes to Consolidated Financial Statements

As of June 30, 2012 and 2011, accounts representing 39% and 53%, respectively, of the Company's notes and accounts receivable (including related parties) were from a group of seven customers. However, the Company evaluates the collectibility of trade receivables and provides adequate reserves for bad debts, if necessary. The management of the Company expects no significant loss from credit risk in the near future.

(iii) Liquidity risk

There is no liquidity risk of being unable to raise capital to settle contract obligations since the Company has sufficient capital and working capital to fulfill contract obligations. As there is no open market for the financial assets carried at cost, they are subject to liquidity risk.

(iv) Cash flow risk resulting from changes in interest rates

The financial assets of the Company with cash flow risk resulting from a change in interest rates were \$1,069,130 and \$992,661 as of June 30, 2012 and 2011, respectively. The financial liabilities of the Company with cash flow risk resulting from a change in interest rates were \$76,678 and \$137,095 as of June 30, 2012 and 2011, respectively.

#### (5) Related-party Transactions

(a) Name and relationship

<u>Name of related party</u>	<u>Relationship with the consolidated companies</u>
Marketch International Corp. (Marketch) (Note 2)	The chairman of Marketch is a director of Acter
Mic-Tech(Shanghai) Corp. Ltd. (Mic-Tech) (Note 2)	As above
Shanghai Ji-Wei Electronic System Ltd. (Ji-Wei) (Note 2)	As above
SCEC International (Shanghai) Company Limited	A subsidiary of SCEC International (HK) Company Limited (accounted for under the equity method)
Cheng-Zhong Investment Ltd. (Cheng-Zhong) (Note 2)	The chairman of Cheng-Zhong is a first-degree blood relative of a director in Acter
Xiang-Hui Development Ltd. (Xiang-Hui) (Note 1)	Xiang-Hui is a corporate director of Acter

(Note 1) Xiang Hui was non-corporate directors of the Company in the second quarter of 2012 by the directors and supervisors re-election on 18 June, 2012, and only to expose the transactions before June 18, 2012.

(Note2) Marketch, Mic-Tech, Ji-Wei and Cheng-Zhong was no longer listed as Related-party with the company since 2012, and only to expose the transactions for the six months ended June 30, 2011.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (b) Significant transactions with related parties

## 1. Construction revenue, other operating revenue, and accounts receivable

## (1) Construction revenue was as follows:

	June 30			
	2012		2010	
	Amount	% of construction revenue	Amount	% of construction revenue
Marketech	\$ -	-	125,086	4
Ji-Wei	-	-	3,128	-
Mic-Tech	-	-	749	-
	<u>\$ -</u>	<u>-</u>	<u>128,963</u>	<u>4</u>

## (2) As of June 30, 2012 and 2011, receivables from related parties generated construction revenue were as follows:

	June 30			
	2012		2011	
	Amount	Percentage of notes and accounts re ceivable	Amount	Percentage of notes and accounts rec eivable
Marketech	\$ -	-	73,616	4
Ji-Wei	-	-	7,201	-
	<u>\$ -</u>	<u>-</u>	<u>80,817</u>	<u>4</u>

Receivable and collection terms for the construction contracts with related parties are determined by the market mechanism and present no significant difference from those with third-party vendors.

## 2. Construction cost, notes payable, and accounts payable:

## (1) Purchase with related parties were as follows:

	June 30			
	2012		2011	
	Amount	Percentage of construction cost	Amount	Percentage of construction cost
Marketech	\$ -	-	4,900	-
Xiang-Hui	43	-	316	-
Other	-	-	789	-
	<u>\$ 43</u>	<u>-</u>	<u>6,005</u>	<u>-</u>

(Continued)



## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

(2) Payables resulting from the above transactions were as follows:

	<b>June 30</b>			
	<b>2012</b>		<b>2011</b>	
	<b>Amount</b>	<b>Percentage of notes payable and accounts payable</b>	<b>Amount</b>	<b>Percentage of notes payable and accounts payable</b>
Xiang-Hui	\$ -	-	127	-
Other	-	-	580	-
	<b>\$ -</b>	<b>-</b>	<b>707</b>	<b>-</b>

The purchase price and terms of the payments for the construction contracts with related parties present no significant difference from those with third-party vendors.

### 3. Property transactions

In order to expand operating scale, the Company planned to purchase an operating office in Taipei. The Company purchased the land and building from Cheng-Zhong for \$95,968. As of June 30, 2012, all the payables generated from the abovementioned transaction had been settled. Payables resulting from the above transactions were \$1,373. The prices of the land and the building were based on an evaluation report by experts.

3. The Company paid SCEC International (Shanghai) Company Limited of \$8,228 for staff expenses for the six months ended June 30, 2012, recorded in other receivables- related parties.

### (6) Pledged Assets

		<b>Book value</b>	
		<b>June 30</b>	
		<b>2012</b>	<b>2011</b>
Restricted asset—current:			
Restricted deposit account	Credit guarantee loan	\$ -	9
Restricted deposit account	Short-term borrowing limit	-	6,049
Savings deposit / time deposit	Construction contract fulfillment and warranty guarantee	<u>10,567</u>	<u>57,000</u>
		<u>10,567</u>	<u>63,508</u>
Restricted asset—non-current(recorded in other assets-other):			
Savings deposit / time deposit	Construction contract fulfillment and warranty guarantee	<u>1,884</u>	<u>-</u>
Land and building (including lease asset)	Short-term borrowing limit	<u>8,527</u>	<u>77,384</u>
		<b>\$ <u>20,978</u></b>	<b><u>140,442</u></b>

Multi asset Principal Guaranteed Notes refers to the 3-year international bond issued by Deutsche Bank

(Continued)

**Acter Co., Ltd. and Subsidiaries**

**Notes to Consolidated Financial Statements**

which, as of June 30, 2011, amounted to USD80 thousand, at a cost of \$2,613, and had fair value of \$2,304.

**(7) Commitments and Contingencies**

Significant commitments and contingencies for the Company For the six months ended June 30, 2012 and 2011, were as follows:

- (i) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to \$470,218 and \$421,735, respectively.
- (ii) Fulfillment pledged by the bank for engaging in construction contracts amounted to \$153,256 and \$388,934, respectively.
- (iii) Contract guarantee fulfillment and warranty guarantee (excluding related parties) for the competitive corporations amounted to \$972,830 and \$1,007,190, respectively.
- (iv) Outstanding letters of credit were \$16,684 and \$0, respectively.
- (v) For already signed but not yet finished significant construction contracts, please refer to note 4(e).
- (vi) As of June 30, 2011, The companys' obligation of equipment purchase contracts were \$130,853.

**(8) Casualty loss: None.**

**(9) Subsequent Events: None.**

**(10) Other Information**

(a) Liquidity for currency assets and liabilities related with construction business- was as follows:

	<b>June 30, 2012</b>		
	<b>Expect to receive or pay within 12 months</b>	<b>Expect to receive or pay in over 12 months</b>	<b>Ending balance</b>
<b>Assets:</b>			
Notes and accounts receivable	\$ 1,985,081	30,691	2,015,772
Construction refundable deposit (recorded as other financial assets – current)	69,882	-	69,882
Restricted assets – current	5,820	4,727	10,567
	<b><u>\$ 2,060,783</u></b>	<b><u>35,438</u></b>	<b><u>2,096,221</u></b>
<b>Liabilities:</b>			
Notes and accounts receivable	<b><u>\$ 2,223,128</u></b>	<b><u>22,020</u></b>	<b><u>2,245,148</u></b>

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

	<b>June 30, 2011</b>		
	<b>Expect to receive or pay within 12 months</b>	<b>Expect to receive or pay in over 12 months</b>	<b>Ending balance</b>
<b>Assets:</b>			
Notes and accounts receivable	\$ 1,728,265	52,880	1,781,145
Receivables from related parties	73,616	7,201	80,817
Construction refundable deposit (recorded as other financial assets – current)	66,633	1,967	68,600
Restricted assets – current	<u>52,830</u>	<u>4,170</u>	<u>57,000</u>
	<b><u>\$ 1,921,344</u></b>	<b><u>66,218</u></b>	<b><u>1,987,562</u></b>
<b>Liabilities:</b>			
Notes and accounts receivable	\$ 1,910,608	83,163	1,993,771
Payables to related parties	<u>2,080</u>	<u>-</u>	<u>2,080</u>
	<b><u>\$ 1,912,688</u></b>	<b><u>83,163</u></b>	<b><u>1,995,851</u></b>

- (b) The Company's personnel expenses, depreciation, and amortization, by function For the six months ended June 30, 2012 and 2011, are summarized as follows:

<b>Account</b>	<b>For the six months ended June 30,</b>					
	<b>2012</b>			<b>2011</b>		
	<b>Operating costs</b>	<b>Operating expense</b>	<b>Total</b>	<b>Operating costs</b>	<b>Operating expense</b>	<b>Total</b>
Personnel expenses						
Salaries	169,198	87,795	256,993	159,235	82,726	241,961
Labor and health insurance	10,395	3,422	13,817	8,571	3,339	11,910
Social insurance	6,779	3,797	10,576	5,825	2,673	8,498
Pension	6,397	2,518	8,915	5,718	2,333	8,051
Other	4,894	5,699	10,593	3,770	3,808	7,578
Depreciation (note)	1,366	5,189	6,555	1,444	3,286	4,730
Amortization	21	1,870	1,891	78	1,008	1,086

Note: Depreciation for lease assets was \$172 For the six months ended June 30, 2012 and 2011, and was recorded in non-operating expense.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

(c) The significant financial assets and liabilities in foreign currency were as follows (in thousands):

	For the six months ended June 30,					
	2012			2011		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets:						
Monetary items:						
USD	2,087	29.90	83,920	4,122	28.802	118,719
RMB	266,956	4.7056	1,256,187	250,049	4.4558	1,114,167
SGD	1,173	23.5276	27,589	3,137	23.4401	73,543
Non-monetary items:						
USD	-	-	-	178	28.802	5,128
Financial liabilities:						
Monetary items:						
USD	159	29.90	4,767	-	28.802	-
RMB	215,318	4.7056	1,013,196	166,190	4.4636	741,805
SGD	177	23.5276	4,169	-	23.4401	-

(d) Reclassifications

Certain amounts in the consolidated financial statements as of and for the six months ended June 30, 2011, were reclassified to conform to the presentation in the consolidated financial statements as of and for the six months ended June 30, 2012. Such reclassifications have no significant effect on the June 30, 2011 consolidated financial statements.

## (11) Segment Information

(a) General information and industrial information

There are three segments that need be to reported: Taiwan, Mainland China, and other Asian. The Taiwan segment provides engineering, maintenance, sales and other services in the Taiwan area. The Mainland China segment provides engineering services in Mainland China. The other Asian segment provides engineering services in Vietnam, Singapore, Malaysia and other Asian countries.

The reported segments are strategic business units and render products and services in different areas. Since each strategic business unit is located in a different environment, they require different administration strategies and are managed separately. Most of the business units were founded by the Company, and the management teams have been cultivated by the Company as well.

The Company has allocated unusual income (loss) and tax expense (profit) to the reportable segments. The income for the reported segments includes significant non-cash items exclusive of depreciation and amortization. The reported amounts are in accordance with the report used by the decision maker of the operation. The accounting policies used by the operating segments are the same as in note 2. The performance of the segments is evaluated by operating income and net income.

(Continued)

## Acter Co., Ltd. and Subsidiaries

## Notes to Consolidated Financial Statements

## (b) Segment information

Information on, and adjustments for, the segments are as follows:

	For the six months ended June 30, 2012				
	Taiwan	Mainland China	Other Asian	Adjustments and eliminations	Total
Sales to external customers	\$ 1,934,495	1,607,232	224,546	-	3,766,273
Sales among segments	239,988	24,604	197	(264,789)	-
Total income	<u>\$ 2,174,483</u>	<u>1,631,836</u>	<u>224,743</u>	<u>(264,789)</u>	<u>3,766,273</u>
Segment profit (loss)	<u>\$ 159,433</u>	<u>85,245</u>	<u>36,802</u>	<u>(5,254)</u>	<u>276,226</u>
Segment assets	<u>\$ 5,334,649</u>	<u>2,684,540</u>	<u>1,312,271</u>	<u>(2,771,265)</u>	<u>6,560,195</u>
	For the six months ended June 30, 2011				
	Taiwan	Mainland China	Other Asian	Adjustments and eliminations	Total
Sales to external customers	\$ 2,130,528	1,684,947	67,584	-	3,883,059
Sales among segments	13,938	9,596	294	(23,828)	-
Total income	<u>\$ 2,144,466</u>	<u>1,694,543</u>	<u>67,878</u>	<u>(23,828)</u>	<u>3,883,059</u>
Segment profit (loss)	<u>\$ 138,998</u>	<u>166,318</u>	<u>2,830</u>	<u>-</u>	<u>308,146</u>
Segment assets	<u>\$ 4,565,679</u>	<u>2,261,614</u>	<u>997,470</u>	<u>(2,082,890)</u>	<u>5,741,873</u>