Acter Co., Ltd. and Subsidiaries

Consolidated Financial Statements

For the Nine Months Ended September 30, 2012 and 2011

(*in accordance with accounting principles and practices generally accepted in the Republic of China***)**

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

Assets	September 30, 2012 Amount	%	September 30, 2011 Amount	%
Current assets:				
Cash and cash equivalents (note4(a))	$ 1,621,752	25	895,968	15
Financial assets at fair value through profit or loss－current (note4(l))	-	-	441	-
Available-for-sale financial assets－current (note4(b))	337,970	5	127,267	2
Notes receivable, net (note4(c))	172,592	3	170,498	3
Accounts receivable, net (note4(c))	1,698,810	26	1,759,174	30
Receivables from related parties (note5)	-	-	40,127	1
Other receivables- related parties (note5)	10,778	-	-	-
Other financial assets－current	100,752	2	86,236	1
Inventories, net (note4(d))	805,113	12	752,896	13
Construction-in-progress, net of billings on construction-in-progress (note4(e))	900,516	14	1,193,244	21
Deferred income tax assets－current	52,804	1	16,953	-
Restricted assets (note 6)	4,691	-	62,161	1
Other current assets and prepayments to suppliers	310,500	5	310,100	6
	6,016,278	93	5,415,065	93
Investments :				
Investments accounted for using equity method(note4(f))	11,904	-	18,529	-
Financial assets carried at cost－non-current (note4(b))	14,387	-	35,387	1
	26,291	-	53,916	1
Property, plant and equipment (note5 and 6):				
Land	151,631	3	141,328	3
Buildings	88,474	1	77,630	1
Other equipment	82,013	1	74,362	1
	322,118	5	293,320	5
Less: accumulated depreciation	(50,221)	(1)	(53,096)	(1)
Prepayments for equipment	51,882	1	139	-
	323,779	5	240,363	4
Intangible assets				
Computer software	8,155	-	8,631	-
Deferred pension cost	9,662	-	5,982	-
Land use rights	37,123	1	38,773	1
	54,940	1	53,386	1
Other assets:				
Lease assets (note4(g) and 6)	31,637	1	31,981	1
Refundable deposit	8,371	-	13,732	-
Deferred income tax assets – non-current	-	-	1,214	-
Other assets – other	5,682	-	5,329	-
	45,690	1	52,256	1
Total assets	$ 6,466,978	100	5,814,986	100

Liabilities and Stockholders' Equity	September 30, 2012 Amount	%	September 30, 2011 Amount	%
Current liabilities:				
Short-term borrowings (note4(h) and 6)	$ 122,551	2	232,294	4
Notes payable	188,705	3	346,495	6
Accounts payable	1,860,516	29	1,748,492	30
Payables to related parties (note5)	-	-	10,514	-
Income tax payable	40,768	1	51,275	1
Salary and wages payable	100,641	2	99,020	1
Unearned sales revenue	594,440	9	702,851	12
Billings on construction-in-progress, net of construction-in-progress (note4(e))	899,056	14	491,146	9
Long-term borrowings-current portion(note4(i))	88	-	-	-
Deferred income tax liabilities – current	73,944	1	52,155	1
Accrued expenses and other current liabilities	8,983	-	23,348	-
	3,889,692	61	3,748,590	64
Long-Term Liabilities				
Long-term borrowings(note4(i))	352	-	-	-
Other liabilities				
Accrued pension liabilities	15,421	-	10,979	-
Deposit received	312	-	312	-
Deferred income tax liabilities－non-current	138,839	2	107,737	2
	154,572	2	119,028	2
Total liabilities	4,044,616	63	3,867,618	66
Stockholders' equity (note4(j)):				
Common stock	461,359	7	415,359	7
Capital surplus-additional paid-In capital-common stock	896,599	14	539,869	9
Retained earnings:				
Legal reserve	216,384	3	160,418	4
Special reserve	-	-	11,930	-
Unappropriated retained earnings	836,663	13	807,160	14
	1,053,047	16	979,508	18
Other adjustments to stockholders' equity:				
Cumulative translation adjustments	11,796	-	22,416	-
Unrecognized pension costs	(3,215)	-	(2,711)	-
Unrealized gains on financial instruments	2,776	-	(7,073)	-
	11,357	-	12,632	-
Total stockholders' equity	2,422,362	37	1,947,368	34
Commitments and contingencies (note7)				
Total liabilities and stockholders' equity	$ 6,466,978	100	5,814,986	100

See accompanying notes to consolidated financial statements.

Acter Co., Ltd. and Subsidiaries

Consolidated Statements of Operations

For the Nine Months Ended September 30, 2012 and 2011
(In thousands of New Taiwan dollars, except for earnings per common share)

	2012		2011	
	Amount	**%**	**Amount**	**%**
Operating revenue:				
Construction revenue	$ 4,167,521	81	5,177,499	92
Less: allowances	(1,436)	-	(76)	-
Net construction revenue (note 5)	4,166,085	81	5,177,423	92
Sales	945,452	18	371,993	7
Other operating revenue	33,936	1	44,313	1
Net operating revenue (note 5)	5,145,473	100	5,593,729	100
Operating cost:				
Construction cost (note 5)	3,503,524	68	4,441,580	79
Cost of goods sold (note 4(d))	776,367	15	307,818	6
Other operating cost	6,575	-	6,354	-
	4,286,466	83	4,755,752	85
Gross profit	859,007	17	837,977	15
Operating expenses:				
Selling	66,586	1	65,162	1
General and administrative	202,028	4	180,951	3
	268,614	5	246,113	4
Operating income	590,393	12	591,864	11
Non-operating income and gains:				
Interest income	9,462	-	4,631	-
Gain on disposal of investment, net	2,750	-	6,012	-
Gain on reversal of bad debts	2,021	-	29,272	1
Foreign exchange gain, net	-	-	4,065	-
Other income (note 4(l))	6,713	-	10,544	-
	20,946	-	54,524	1
Non-operating expenses and loss:				
Interest expense	2,914	-	2,322	-
Investment loss recognized by equity method (note 4(f))	9,061	-	-	-
Foreign exchange loss, net	3,549	-	-	-
Impairment loss (note 4(b))	21,000	1	-	-
Other loss(note 4(l))	1,121	-	1,457	-
	37,645	1	3,779	-
Income before income taxes	573,694	11	642,609	12
Income tax expenses	153,193	3	197,410	4
Consolidated net income	**$ 420,501**	**8**	**445,199**	**8**
Attributable to:				
Equity holders of the Company	**$ 420,501**	**8**	**445,199**	**8**

	Before taxes	After taxes	Before taxes	After taxes
Earnings per common share (New Taiwan dollars) (note 4(k)) :				
Basic earnings per common share	**$ 12.43**	**9.11**	**15.47**	**10.72**
Diluted earnings per common share	**$ 12.38**	**9.08**	**15.41**	**10.67**

See accompanying notes to consolidated financial statements.

Acter Co., Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

For the Nine Months Ended September 30, 2012 and 2011

(In thousands of New Taiwan dollars)

		2012	2011
Cash flows from operating activities:			
Net income	$	420,501	445,199
Adjustments:			
Gain on disposal of investment		(2,750)	(6,012)
Reversal of bad debt expense		(2,021)	(36,876)
Provision for (reversal of) inventory obsolescence		72	(965)
Investment loss recognized by equity method		9,061	-
Depreciation and amortization		14,768	9,447
Deferred income tax expense		28,537	46,874
Impairment loss		21,000	-
Adjustment for other non-cash-related losses, net		282	6,479
Net change in operating assets and liabilities:			
		-	-
Notes receivable and accounts receivable (including related parties)		424,198	(536,644)
Other receivables- related parties		(10,778)	-
Inventories		(15,935)	(441,504)
Net construction-in-progress		(111,440)	(207,343)
Other financial assets and other current assets		(151,181)	(218,092)
Notes payable and accounts payable (including related parties)		(220,508)	320,592
Income tax payable		(85,467)	(60,170)
Net billings on construction-in-progress		385,367	(77,824)
Accrued expenses, and other current liabilities		(193,826)	451,283
Accrued pension liabilities		(373)	623
Cash provided by (used in) operating activities		509,507	(304,933)
Cash flows from investing activities:			
(Purchase) disposal of available-for-sale financial assets		(249,728)	487,732
Decrease in restricted assets		20,019	34,253
Increase in investment accounted for using equity method		(5,857)	(17,806)
Increase in financial assets carried at cost		-	(24,000)
Acquisition of property, plant and equipment		(68,035)	(175,030)
Proceeds from property, plant and equipment		14	135
Acquisition of computer software		(1,855)	(2,442)
Acquisition of land use right		-	(37,015)
Decrease in refundable deposit(included construction refundable deposit)		13,398	42,828
Increase in other assets		(6,041)	(1,223)
Cash provided by (used in) investing activities		(298,085)	307,432
Cash flows from financing activities:			
(Decrease) increase in short-term borrowings		(37,615)	202,541
Long-Term Borrowings		440	-
Cash dividends		(461,358)	(415,358)
Net cash provided by financing activities		(498,533)	(212,817)
Effect of exchange rate changes		(25,495)	24,395
Net decrease in cash and equivalents		(312,606)	(185,923)
Cash and equivalents at beginning of year		1,934,358	1,081,891
Cash and equivalents at end of year	**$**	**1,621,752**	**895,968**
Supplemental disclosure of cash flow information:			
Cash payments of interest	**$**	**3,184**	**2,322**
Cash payments of income tax paid	**$**	**207,148**	**196,734**
Non-cash flows from investing and financing activities:			
Long-term borrowings-current portion	**$**	**88**	**-**

See accompanying notes to consolidated financial statements.

Acter Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

For the nine months ended September 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 September 30, 2012 and 2011, Acter and its subsidiaries ("the Company") had 921 and 800 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 September 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

Investee	Investor	Business	Percentage of ownership at September 30, 2012	2011
Sheng Huei (Suzhou) EngineeringCo., 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 reinvested its subsidiary(NTM) in Malaysia, NTM was including in the consolidated entity from it been established

(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.

(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.

(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.

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.

(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.

(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:

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.

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.

(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 nine months ended September 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 nine months ended September 30, 2012.

(4) Explanation of Significant Accounts

(a) Cash and cash equivalents

	September 30	
	2012	**2011**
Petty cash and cash on hand	$ 81,593	2,789
Checking and demand deposits	731,105	772,880
Time deposits	195,176	120,299
Cash equivalent – repurchased commercial paper	613,878	-
	$ 1,621,752	**895,968**

The repurchased commercial paper rate was 0.8%~0.83% on September 30, 2012, and the commercial paper mature October 1 to October 26, 2012.

(b) Financial assets

		September 30	
		2012	**2011**
Available-for-sale – current			
Mutual funds (Open-end funds)	**$**	**337,970**	**127,267**
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		(21,000)	-
	$	**14,387**	**35,387**

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 operation contiune deteriorating and degrading its book value, the Company recognized the impairment loss $21,000 in the third quarter of 2012.

Further, the Company has offered multiple asset-pledged bonds for guarantee. These guarantees amounted to $2,440 on September 30, 2011, recorded in restricted assets-current. Please refer to note 6.

(c) Notes and accounts receivable, net

		September 30	
		2012	**2011**
Notes receivable	$	172,592	170,498
Accounts receivable		1,721,985	1,777,856
Less: allowance for doubtful accounts		(23,175)	(18,682)
		1,698,810	1,759,174
	$	**1,871,402**	**1,929,672**

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

The maturity period of short liquidityof accounts receivable and notes receivable are not presented by present vlaue, the future value approximates present value due to their short term nature.

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(d) Inventories

		September 30 2012	2011
Finished goods and merchandise	$	440,527	158,082
Work in process and semi-finished goods		305,316	527,638
Raw materials		59,466	68,369
Less: provision for inventory devaluation		(196)	(1,193)
		59,270	67,176
	$	**805,113**	**752,896**

On September 30, 2012, the Company wrote down operating cost of $72 due to adjust inventory holding costs to net fair value. On t September 30, 2011, the Company sold inventories and wrote off the valuation allowance and reduced cost of goods sold less $ 965.

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

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

		September 30, 2012	
Construction Project		**Construction in progress**	**Billings on construction in progress**
A0XXXX1	$	245,849	121,684
70XX7		411,516	338,432
11XXXX3		345,041	287,125
Other (net amount less than 5%)		2,380,816	1,735,465
		3,383,222	**2,482,706**
Less: billings on construction in progress		(2,482,706)	
Net amount	$	**900,516**	

The net construction-in-progress abovementioned under the completed-contract method and percentage-of-completion method was $540,251 and $360,265, respectively.

		September 30, 2011	
Construction Project		**Construction in progress**	**Billings on construction in progress**
A0XX1	$	590,400	390,680
A0XXXX1		140,355	58,733
70XX7		399,189	337,612
Other (net amount less than 5%)		3,596,468	2,746,143
		4,726,412	**3,533,168**
Less: billings on construction in progress		(3,533,168)	
Net amount	$	**1,193,244**	

The net construction-in-progress abovementioned under the completed-contract method and percentage of completion method was $635,117 and $558,127, respectively.

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

	September 30, 2012	
Construction Project	Construction in progress	Billings on construction in progress
11XXXX3	$ 285,470	456,484
12XXXX1	37,550	193,396
11XXXX0	502,592	570,539
Other (net amount less than 5%)	1,878,713	2,382,962
	$ 2,704,325	3,603,381
Less: construction in progress		(2,704,325)
Net amount		899,056

The net billings on construction-in-progress abovementioned under the completed-contract method and percentage-of-completion method were $636,157 and $262,899, respectively.

	September 30, 2011	
Construction Project	Construction in progress	Billings on construction in progress
11XXXX4	$ 526	52,650
11XXXX1	2,214	27,229
Other (net amount less than 5%)	1,265,157	1,679,164
	$ 1,267,897	1,759,043
Less: construction in progress		(1,267,897)
Net amount		491,146

The net billings on construction-in-progress abovementioned under the completed-contract method and percentage-of-completion method were $198,637 and $292,509, respectively.

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

September 30, 2012					
Industry	**Contract prices**	**Estimated total costs**	**Percentage of completion**	**Expected year of completion**	**Accumulated construction profit (loss)**
Percentage-of-completion method:					
General	3,197,155	2,910,644	0~98	101~104	119,569
Opto-electronic	115,000	100,273	90	101	7,880
Semiconductor	1,880,516	1,868,122	7~85	101~102	(41,865)
Completed-contract method:					
General	409,518	392,970	40~42	102	-
Opto-electronic	1,083,829	1,010,533	51~94	101	-
Semiconductor	861,674	757,966	0~74	101~102	-
Other technology	1,807,116	1,491,400	0~99	101~102	-

September 30, 2011					
Industry	**Contract prices**	**Estimated total costs**	**Percentage of completion**	**Expected year of completion**	**Accumulated construction profit (loss)**
Percentage-of-completion method:					
General	2,408,506	2,239,865	0~99	100~102	80,090
Semiconductor	1,285,473	1,331,271	0~82	101~102	(60,247)
Opto-electronic	744,746	667,109	75~96	100	70,620
Other technology	1,037,172	811,428	0~96	100~101	71,480
Completed-contract method:					
General	676,545	610,364	0~87	100	-
Semiconductor	834,678	802,725	1~98	100~101	-
Opto-electronic	1,838,800	1,716,288	0~95	100~101	(5,011)
Other technology	1,534,618	1,408,702	0~53	100~101	-

(f)Investments accounted for using equity method

	September 30, 2012			
	Percentage of ownership	**Accumulation of the original investment cost**	**Book value**	**Recognize investment loss**
SCEC International (HK) Company Limited	46.03	$ 23,663	11,839	9,061
Leading Tek Corporation	32.26	10,000	65	-
		$ 33,663	11,904	9,061

	September 30, 2011			
	Percentage of ownership	**Accumulation of the original investment cost**	**Book value**	**Recognize investment loss**
SCEC International (HK) Company Limited	45.00	$ 17,806	18,464	-
Leading Tek Corporation	32.26	10,000	65	-
		$ 27,806	**18,529**	**-**

The above-mentioned long-term investments were not pledged.

The Company recorded loss on investment under the equity method of $9,061 and $0 For the nine months ended September 30, 2012 and 2011, respectively. These amounts accounted for under the equity method were based solely on their financial statements rather than reviewed by independent accountants.

In order to expand business in Mainland China, the Company invested in SCEC International (HK) Company Limited through Sheng Huei International Co., Ltd. in the third quarters of 2012 and 2011. The Company also indirectly founded SCEC International (Shanghai) Company Limited via SCEC International (HK). On September 30, 2012, the Company invested USD803 thousand and the percentage of holding became 46.03%.

(g) Lease assets

	September 30	
	2012	**2011**
Cost:	$ 20,937	20,937
Land	12,561	12,561
Buildings	86	86
Equipment	33,584	33,584
	$ (1,947)	(1,603)
Less: depreciation	**31,637**	**31,981**

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 September 30, 2012, the future receivable for the Company was as follows:

Term	Amount
2012.10.01~2013.08.09	$ **1,676**

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(h) Short-term borrowings

	September 30	
	2012	2011
Letter of credit borrowings	$ 92,990	-
Pledged borrowings	29,561	223,294
	$ 122,551	223,294
Unused facilities	$ 2,671,488	1,738,309
Interest rate	1%~2.15%	1%~7.54%

The abovementioned pledged borrowings please refer to note 6.

(i) Long-Term Borrowings

Lending bank	content	September 30 2012	September 30 2011
Hong Leong Bank	Car loan,installment by month respectively, repayable from October 6 2012 to October 5 2017 in 60 months.	$ 440	-
	Less: Long-term borrowings-due within one year	(88)	-
		$ 352	-
Unused credit amount		$ -	-
Interest rate		2.92%	-

On September 30, 2012, future principal repayments for the long-term loans were as follows：

period	Amount
2012.10.01~2013. 09.30	88
2013.10.01~2014. 09.30	88
2014.10.01~2015. 09.30	88
2015.10.01~2016. 09.30	88
2016.10.01~2017. 09.30	88
	$ 440

(j) 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 September 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.

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.

For the nine months ended September 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 $11,256 and $12,188 for the nine months ended September 30, 2012 and

2011, respectively. The Company also recognized remuneration to directors and supervisors of $10,611 and $11,306 for the nine months ended September 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 nine months ended September 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:

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

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

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

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

		For the nine months ended September 30,			
		2012		2011	
		Before Taxes	After Taxes	Before Taxes	After Taxes
Basic earnings per common share:					
Net income	$	573,694	420,501	642,609	445,199
Weighted-average common shares outstanding (thousand shares)		46,136	46,136	41,536	41,536
Basic earnings per common share (NTD)	$	12.43	9.11	15.47	10.72

	For the nine months ended September 30,			
	2012		2011	
	Before Taxes	After Taxes	Before Taxes	After Taxes
Diluted earnings per common share:				
Net income	$ 573,694	420,501	642,609	445,199
Weighted-average common shares outstanding (thousand shares)	46,136	46,136	41,536	41,536
Diluted weighted-average common shares outstanding (thousand shares)	195	195	171	171
	46,331	46,331	41,707	41,707
Diluted earnings per common share (NTD)－retroactively adjusted	$ 12.38	9.08	15.41	10.67

Due to The Company is listed in OTC, the Company adopted the closing price of the balance sheet daythe close price of the day before the shareholders' meeting and consideriated the diluted effect of dividends when calculate the number of diluted shares for employee bonus.

(k) Financial instruments

1. The Company signed forward exchange contracts with banks. All forward foreign currency exchange contracts had settled on September 30, 2012. On September 30, 2011, the Company's holding financial instruments transactions were as follows:

	September 30, 2012			
Item	Contract amount (in JPY thousands)	Currency	Maturity	Book value
Buy－forward foreign currency exchange contracts	40,000	Sell NTD/ Buy JPY	101.01.17	403
Buy－forward foreign currency exchange contracts	21,000	Sell NTD/ Buy JPY	101.01.26	38
				$ 441

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 nine months ended September 30, 2012. Changes in fair value caused unrealized loss on financial assets of $441 for the nine months ended September 301, 2011.

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(b) for the details.

   (iv) Long-term borrowings pay fixed-rate interest, its book value equal fair value.

3. As of September 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:

	September 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	$ 1,621,752	-	895,968	-
Financial assets at fair value through profit or loss－current	-	-	-	441
Available-for-sale financial assets (including restricted)	337,970	-	129,707	-
Notes and accounts receivable (including related parties)	-	1,871,402	-	1,969,799
Other receivables- related parties	-	10,778	-	-
Other financial assets－current	-	100,752	-	86,236
Restricted assets	4,691	-	59,721	-
Refundable deposit	-	8,371	-	13,732

	September 30			
	2012		2011	
	Publicly quoted market price	Fair value based on valuation technique	Publicly quoted market price	Fair value based on valuation technique
Financial liabilities:				
Short-term borrowings	-	122,551	-	223,294
Notes and accounts payable (including related parties)	-	2,049,221	-	2,105,501
Salary and wages payable	-	100,641	-	99,020
Long-term borrowings(including due within one year)	-	440	-	-

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.
As of September 30, 2012 and 2011, accounts representing 33% and 41%, 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 $886,633 and $866,789 as of September 30, 2012 and 2011, respectively. The financial liabilities of the Company with cash flow risk resulting from a change in interest rates were $63,986 and $93,600 as of September 30, 2012 and 2011, respectively.

(5) Related-party Transactions

(a) Name and relationship

Name of related party	Relationship with the consolidated companies
Marketech International Corp. (Marketech) (Note 2)	The chairman of Marketech 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
Johnwell Enterprise Co., Ltd. (Johnwell) (Note 2)	The chairman of the company is the representative of a corporate director of Acter

(Note 1) After the board election in 18 June, 2012, Xiang Hui and Johnwell was not related party with the company, so we only disclosed the translation before 18 June, 2012.

(Note2) Marketech, 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 nine months ended September 30, 2011.

(b) Significant transactions with related parties

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

(1) Construction revenue was as follows:

	September 30			
	2012		2011	
	Amount	% of construction revenue	Amount	% of construction revenue
Marketech	$ -	-	175,620	3
Ji-Wei	-	-	3,371	-
Mic-Tech	-	-	753	-
	$ -	-	179,744	3

(2) Due to above-mentioned construction revenue ,the receivables from related parties were as follw:

	September 30			
	2012		2011	
	Amount	Percentage of notes and accounts receivable	Amount	Percentage of notes and accounts receivable
Marketech	$ -	-	36,795	2
Ji-Wei	-	-	2,785	-
Mic-Tech	-	-	547	-
	$ -	-	40,127	2

As of September 30, 2012 and 2011, the advance construction receipts and advance sales receipts from related parties were as follows:

	2011	2010
Marketech	$ -	126,307
Mic-Tech	-	547
	$ -	126,854

As of September 30, 2012 and 2011, the construction in progress and inventories from related parties were as follows:

	2011	2010
Marketech	$ -	195,435
Mic-Tech	-	430
	$ -	195,865

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.

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2. Construction cost, Assets, and Liability:

(1) Purchase with related parties were as follows:

	September 30			
	2012		2011	
	Amount	Percentage of construction cost	Amount	Percentage of construction cost
Marketech	$ -	-	9,900	-
Xiang-Hui	-	-	954	-
Johnwell	-	-	418	-
	$ -	-	11,272	-

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

	September 30			
	2012		2011	
	Amount	Percentage of notes payable and accounts payable	Amount	Percentage of notes payable and accounts payable
Marketech	$ -	-	10,145	-
Xiang-Hui	-	-	257	-
Johnwell	-	-	112	-
	$ -	-	10,514	-

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 September 30, 2012, all the payables generated from the abovementioned transaction had been settled. The prices of the land and the building were based on an evaluation report by experts.

4. Other expenses

For the nine months ended September 30, 2011, the Company paid related parties for miscellaneous expenses and freight were as follows:

	September 30 2011	
	Current Expenses	Accrued Expenses
Marketech	$ 112	-

5. The Company paid $10,778 staff expenses on behalf of SCEC International (Shanghai) Company Limited for the nine months ended September 30, 2012, recorded in other receivables- related parties.

(6) Pledged Assets

		Book value	
		September 30	
		2012	2011
Restricted asset－current:			
Time deposit	Forward foreign exchange	$ -	260
Savings deposit / time deposit / Multi asset Principal Guaranteed Notes	Construction contract fulfillment and warranty guarantee	4,691	61,901
		4,691	62,161
Restricted asset－non-current(recorded in other assets-other):			
Savings deposit	Construction contract fulfillment and warranty guarantee	4,258	-
Land and building (including lease asset)	Short-term borrowing limit	8,311	77,663
		$ 17,260	139,824

(7) Commitments and Contingencies

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

(i) Fulfillment and warranty guarantee (excluding related parties) for engaging in construction contracts amounted to $454,331 and $487,493, respectively.

(ii) Fulfillment pledged by the bank for engaging in construction contracts amounted to $151,030 and $306,624, respectively.

(iii) Contract guarantee fulfillment and warranty guarantee (excluding related parties) for the competitive corporations amounted to $972,830 and $1,029,410, respectively.

(iv) For already signed but not yet finished significant construction contracts, please refer to note 4(e).

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Notes to Consolidated Financial Statements

(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:

	September 30, 2012		
	Expect to receive or pay within 12 months	**Expect to receive or pay in over 12 months**	**Ending balance**
Assets:			
Notes and accounts receivable	$ 1,817,658	53,744	1,871,402
Construction refundable deposit (recorded as other financial assets – current)	73,763	-	73,763
Restricted assets – current	2,355	2,336	4,691
	$ 1,893,776	56,080	1,949,856
Liabilities:			
Notes and accounts receivable	$ 2,015,761	33,460	2,049,221

	September 30, 2011		
	Expect to receive or pay within 12 months	**Expect to receive or pay in over 12 months**	**Ending balance**
Assets:			
Notes and accounts receivable	$ 1,891,671	38,001	1,929,672
Receivables from related parties	-	-	-
Construction refundable deposit (recorded as other financial assets – current)	62,642	1,371	64,013
Restricted assets – current	58,425	3,736	62,161
	$ 2,012,738	43,108	2,055,846
Liabilities:			
Notes and accounts receivable	$ 2,031,885	63,102	2,094,987
Payables to related parties	10,514	-	10,514
	$ 2,042,399	63,102	2,105,501

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

	For the nine months ended September 30,					
	2012			2011		
	Foreign currency	Exchange rate	NTD	Foreign currency	Exchange rate	NTD
Financial assets:						
Monetary items:						
USD	3,330	29.3420	97,723	994	30.5060	30,327
RMB	270,469	4.6687	1,262,736	262,834	4.7771	1,255,586
SGD	829	23.9556	19,854	1,698	23.5313	39,964
VND	14,363,525	0.0014	19,534	8,007,463	0.00142	11,371
JPY	17,901	0.3783	6,772			
RM	720	9.5793	6,896			
Non-monetary items:						
USD	-	-	-	8	30.5060	250
Financial liabilities:						
Monetary items:						
USD	853	29.3420	25,038	300	30.5060	8,761
RMB	212,358	4.6687	991,434	181,637	4.4636	810,754
SGD	64	23.9556	1,538	164	23.1979	3,813
JPY	10,842	0.3783	4,102			
VND	517,201	0.0014	703			

(c) Reclassifications

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

Acter Co., Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

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.

(b) Segment information

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

	For the nine months ended September 30, 2012				
	Taiwan	**Mainland China**	**Other Asian**	**Adjustments and eliminations**	**Total**
Sales to external customers	$ 2,794,667	2,111,346	239,460	-	5,145,473
Sales among segments	272,882	24,335	198	(297,415)	-
Total income	**$ 3,067,549**	**2,135,681**	**239,658**	**(297,415)**	**5,145,473**
Segment profit (loss)	**$ 261,891**	**129,693**	**28,917**	**-**	**420,501**
Segment assets	**$ 5,074,968**	**2,983,190**	**1,388,522**	**(2,979,702)**	**6,466,978**

	For the nine months ended September 30, 2011				
	Taiwan	**Mainland China**	**Other Asian**	**Adjustments and eliminations**	**Total**
Sales to external customers	$ 3,246,101	2,260,872	86,756	-	5,593,729
Sales among segments	18,186	46,612	297	(65,095)	-
Total income	**$ 3,264,287**	**2,307,484**	**87,053**	**(65,095)**	**5,593,729**
Segment profit (loss)	**$ 248,950**	**198,673**	**(2,424)**	**-**	**445,199**
Segment assets	**$ 4,287,079**	**2,692,305**	**1,104,759**	**(2,269,157)**	**5,814,986**