

**Phihong Technology Co., Ltd. and
Subsidiaries**

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

INDEPENDENT AUDITORS' REPORT

The Board of Directors and Stockholders
Pihong Technology Co., Ltd.

We have audited the accompanying consolidated balance sheets of Pihong Technology Co., Ltd. and subsidiaries (collectively, the "Company") as of June 30, 2012 and 2011, and the related consolidated statements of income, changes in stockholders' equity and cash flows for the six months then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the Rules Governing the Audit of Financial Statements by Certified Public Accountants and auditing standards generally accepted in the Republic of China. Those rules and standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company as of June 30, 2012 and 2011, and the consolidated results of its operations and its cash flows for the six months then ended, in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers, requirements of the Business Accounting Law and Guidelines Governing Business Accounting relevant to financial accounting standards, and accounting principles generally accepted in the Republic of China.

August 23, 2012

Notice to Readers

The accompanying consolidated financial statements are intended only to present the consolidated 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 consolidated financial statements are those generally accepted and applied in the Republic of China.

For the convenience of readers, the auditors' 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 auditors' report and financial statements shall prevail. Also, as stated in Note 2 to the consolidated financial statements, the additional footnote disclosures that are not required under generally accepted accounting principles were not translated into English.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

JUNE 30, 2012 AND 2011

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

ASSETS	2012		2011		LIABILITIES AND STOCKHOLDERS' EQUITY	2012		2011	
	Amount	%	Amount	%		Amount	%	Amount	%
CURRENT ASSETS					CURRENT LIABILITIES				
Cash and cash equivalents (Notes 2 and 4)	\$ 2,293,124	22	\$ 2,948,382	26	Notes payable	\$ -	-	\$ 11,908	-
Notes receivable	-	-	1,560	-	Accounts payable	2,011,190	19	2,289,683	20
Accounts receivable (Notes 2 and 5)	2,017,488	19	1,858,050	16	Accounts payable to related parties (Note 20)	25,638	-	20,441	-
Other financial assets, current	54,157	1	105,394	1	Income tax payable (Notes 2 and 17)	136,103	1	208,584	2
Inventories (Notes 2 and 6)	1,782,105	17	2,479,156	21	Other payables (Note 12)	2,205,985	21	2,670,468	23
Deferred income tax asset, current (Notes 2 and 17)	45,010	-	104,624	1	Other current liabilities	42,490	-	40,567	-
Other current assets	228,037	2	139,016	1					
Total current assets	6,419,921	61	7,636,182	66	Total current liabilities	4,421,406	41	5,241,651	45
FUNDS AND LONG-TERM INVESTMENTS					LONG-TERM LIABILITIES				
Available-for-sale financial assets, noncurrent (Notes 2 and 7)	37,546	-	4,407	-	Long-term debts (Note 11)	200,000	2	200,000	2
Financial assets carried at cost, noncurrent (Notes 2 and 8)	90,945	1	116,254	1					
Long-term equity investments at equity method (Notes 2 and 9)	335,663	3	372,085	3	OTHER LIABILITIES				
Total funds and long-term investments	464,154	4	492,746	4	Accrued pension cost (Note 2)	64,917	1	63,774	1
PROPERTY, PLANT AND EQUIPMENT (Notes 2 and 10)					Advance collection received	964	-	872	-
Cost	5,656,026	54	5,090,165	44	Deferred income tax liabilities, noncurrent (Notes 2 and 17)	69,612	1	69,812	1
Less accumulated depreciation	(2,316,669)	(22)	(1,929,422)	(17)	Others	49,052	-	49,052	-
Prepayments for purchase of equipment	218,242	2	121,258	1	Total other liabilities	184,545	2	183,510	2
Property, plant and equipment, net	3,557,599	34	3,282,001	28	Total liabilities	4,805,951	45	5,625,161	49
INTANGIBLE ASSETS (Notes 2)					STOCKHOLDERS' EQUITY OF PARENT COMPANY				
Software Cost	28,114	-	13,455	-	Capital stock, \$10 par value (Note 13)				
Goodwill	-	-	1,328	-	Authorized - both 600,000 thousand shares at June 30, 2012 and 2011				
Land use rights	114,958	1	110,963	1	Issued - 277,044 thousand shares and 274,846 thousand shares at June 30, 2012 and 2011	2,770,439	26	2,748,459	24
Total intangible assets	143,072	1	125,746	1	Advanced collections for common stock	-	-	547	-
OTHER ASSETS (Note 2)					Capital surplus				
Deferred charges	-	-	15,478	-	Additional paid-in capital - common stock	225,572	2	202,458	2
Refundable deposits	32,293	-	26,248	1	Additional paid-in capital - bond conversion (Note 2)	661,582	6	661,582	6
Others	158	-	93	-	Treasury stock transactions	48,234	1	48,234	-
Total other assets	32,451	-	41,819	1	From long-term equity investments	11,305	-	11,132	-
TOTAL	\$ 10,617,197	100	\$ 11,578,494	100	Interest of bonds converted to common stock (Note 2)	13,243	-	13,243	-
					Retained earnings (Note 15)				
					Legal reserve	1,052,192	10	909,627	8
					Unappropriated earnings	829,780	8	1,366,974	11
					Cumulative translation adjustments (Note 2)	207,601	2	(29,909)	-
					Unrealized loss on financial instruments	(19,978)	-	(9,865)	-
					Unrealized revaluation increment	10,968	-	10,968	-
					Total stockholders' equity of parent company	5,810,938	55	5,933,450	51
					MINORITY INTEREST	308	-	19,883	-
					Total stockholders' equity	5,811,246	55	5,953,333	51
					TOTAL	\$ 10,617,197	100	\$ 11,578,494	100

The accompanying notes are an integral part of the consolidated financial statements.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
GROSS SALES AND REVENUES (Notes 2 and 20)	\$ 5,775,426	100	\$ 7,619,062	100
LESS SALES RETURNS AND ALLOWANCES	<u>-</u>	<u>-</u>	<u>(18,850)</u>	<u>-</u>
NET SALES AND REVENUES (Note 20)	5,775,426	100	7,600,212	100
COST OF GOODS SOLD	<u>4,606,479</u>	<u>80</u>	<u>5,487,947</u>	<u>72</u>
GROSS PROFIT	<u>1,168,947</u>	<u>20</u>	<u>2,112,265</u>	<u>28</u>
OPERATING EXPENSES				
Sales and marketing	409,033	7	532,103	7
General and administration	277,808	5	302,546	4
Research and development	<u>244,532</u>	<u>4</u>	<u>328,893</u>	<u>4</u>
Total operating expenses	<u>931,373</u>	<u>16</u>	<u>1,163,542</u>	<u>15</u>
INCOME FROM OPERATIONS	<u>237,574</u>	<u>4</u>	<u>948,723</u>	<u>13</u>
NONOPERATING INCOME AND GAINS				
Interest income	9,349	-	5,794	-
Investment income recognized under equity method, net (Note 9)	-	-	23,557	-
Dividend income	2,285	-	4,550	-
Gain on disposal of investment (Note 7)	-	-	213,148	3
Gain on reversal of bad debts	20,519	1	-	-
Others	<u>62,491</u>	<u>1</u>	<u>53,306</u>	<u>1</u>
Total nonoperating income and gains	<u>94,644</u>	<u>2</u>	<u>300,355</u>	<u>4</u>
NONOPERATING EXPENSES AND LOSSES				
Interest expense	1,966	-	2,127	-
Investment loss recognized under equity method, net (Note 9)	1,815	-	-	-
Loss on disposal of property, plant and equipment	16,069	-	8,732	-
Asset impairment loss (Note 8)	-	-	31,969	1
Foreign exchange loss, net	29,865	1	19,682	-
Others	<u>7,628</u>	<u>-</u>	<u>24,838</u>	<u>-</u>
Total nonoperating expenses and losses	<u>57,343</u>	<u>1</u>	<u>87,348</u>	<u>1</u>

(Continued)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

SIX MONTHS ENDED JUNE 30, 2012 AND 2011

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

	2012		2011	
	Amount	%	Amount	%
INCOME BEFORE INCOME TAX	\$ 274,875	5	\$ 1,161,730	16
PROVISION FOR INCOME TAX (Notes 2 and 17)	<u>(144,058)</u>	<u>(3)</u>	<u>(207,351)</u>	<u>(3)</u>
CONSOLIDATED NET INCOME	<u>\$ 130,817</u>	<u>2</u>	<u>\$ 954,379</u>	<u>13</u>
ATTRIBUTED TO				
Parent Company's stockholders	\$ 139,952	2	\$ 964,265	13
Minority interest	<u>(9,135)</u>	<u>-</u>	<u>(9,886)</u>	<u>-</u>
	<u>\$ 130,817</u>	<u>2</u>	<u>\$ 954,379</u>	<u>13</u>
	2012		2011	
	Before Income Tax	After Income Tax	Before Income Tax	After Income Tax
BASIC EARNINGS PER SHARE (Notes 2 and 18)				
Included income for minority interest	<u>\$ 0.99</u>	<u>\$ 0.47</u>	<u>\$ 4.23</u>	<u>\$ 3.48</u>
Attributed to shareholders of the Parent Company		<u>\$ 0.51</u>		<u>\$ 3.51</u>
DILUTED EARNINGS PER SHARE (Notes 2 and 18)				
Included income for minority interest	<u>\$ 0.98</u>	<u>\$ 0.47</u>	<u>\$ 4.12</u>	<u>\$ 3.39</u>
Attributed to shareholders of the Parent Company		<u>\$ 0.50</u>		<u>\$ 3.42</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
SIX MONTHS ENDED JUNE 30, 2012 AND 2011
(In Thousands of New Taiwan Dollars)

	Capital Stock		Capital Surplus					Other Items of Stockholders' Equity					Total	
	Capital Stock	Advanced Collections for Common Stocks	Additional Paid-in Capital	Additional Paid-in Capital - Bond Conversion	Treasury Stock Transaction	From Long-term Equity Investments	Interest Payable from Bond Conversion	Retained Earnings		Cumulative Translation Adjustments	Unrealized (Loss) Gain on Financial Instruments	Unrealized Revaluation Increment		Minority Interest
								Legal Reserve	Unappropriated Earnings					
BALANCE, JANUARY 1, 2012	\$ 2,749,329	\$ 16,154	\$ 203,406	\$ 661,582	\$ 48,234	\$ 11,305	\$ 13,243	\$ 909,627	\$ 1,828,362	\$ 250,296	\$ (22,304)	\$ 10,968	\$ 9,643	\$ 6,689,845
Appropriation of 2011 net income														
Legal reserve	-	-	-	-	-	-	-	142,565	(142,565)	-	-	-	-	-
Cash dividends (Note 15)	-	-	-	-	-	-	-	-	(995,969)	-	-	-	-	(995,969)
Advanced collections for common stock transferred to capital stock (Note 13)	7,880	(16,154)	8,274	-	-	-	-	-	-	-	-	-	-	-
Employee stock option (Note 14)	13,230	-	13,892	-	-	-	-	-	-	-	-	-	-	27,122
Recognition of unrealized loss on investee's financial instruments	-	-	-	-	-	-	-	-	-	-	(1,863)	-	-	(1,863)
Unrealized gain on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	4,189	-	-	4,189
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(42,695)	-	-	-	(42,695)
Changes of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(200)	(200)
Net income for the six months ended June 30, 2012	-	-	-	-	-	-	-	-	139,952	-	-	-	(9,135)	130,817
BALANCE, JUNE 30, 2012	\$ 2,770,439	\$ -	\$ 225,572	\$ 661,582	\$ 48,234	\$ 11,305	\$ 13,243	\$ 1,052,192	\$ 829,780	\$ 207,601	\$ (19,978)	\$ 10,968	\$ 308	\$ 5,811,246
BALANCE, JANUARY 1, 2011	\$ 2,725,939	\$ 17,520	\$ 175,659	\$ 661,582	\$ 48,234	\$ 11,132	\$ 13,243	\$ 748,423	\$ 1,621,692	\$ (27,030)	\$ 185,552	\$ 10,968	\$ 29,898	\$ 6,222,812
Appropriation of 2010 net income														
Legal reserve	-	-	-	-	-	-	-	161,204	(161,204)	-	-	-	-	-
Cash dividends (Note 15)	-	-	-	-	-	-	-	-	(1,057,779)	-	-	-	-	(1,057,779)
Advanced collections for common stock transferred to capital stock (Note 13)	8,000	(17,520)	9,520	-	-	-	-	-	-	-	-	-	-	-
Employee stock option (Note 14)	14,520	547	17,279	-	-	-	-	-	-	-	-	-	-	32,346
Recognition of unrealized loss on investee's financial instruments	-	-	-	-	-	-	-	-	-	-	(169,553)	-	-	(169,553)
Unrealized loss on available-for-sale financial assets	-	-	-	-	-	-	-	-	-	-	(25,864)	-	-	(25,864)
Translation adjustments on long-term equity investments	-	-	-	-	-	-	-	-	-	(2,879)	-	-	-	(2,879)
Changes of minority interest	-	-	-	-	-	-	-	-	-	-	-	-	(129)	(129)
Net income for the six months ended June 30, 2011	-	-	-	-	-	-	-	-	964,265	-	-	-	(9,886)	954,379
BALANCE, JUNE 30, 2011	\$ 2,748,459	\$ 547	\$ 202,458	\$ 661,582	\$ 48,234	\$ 11,132	\$ 13,243	\$ 909,627	\$ 1,366,974	\$ (29,909)	\$ (9,865)	\$ 10,968	\$ 19,883	\$ 5,953,333

The accompanying notes are an integral part of the consolidated financial statements.

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES		
Consolidated net income	\$ 130,817	\$ 954,379
Adjustments to reconcile consolidated net income to net cash provided by operating activities		
Depreciation and amortization	240,668	200,643
Recovery from loss on doubtful accounts	(20,519)	-
Investment loss (income) recognized under the equity method	1,815	(23,557)
Cash dividend received from equity-method investees	16,262	23,254
Impairment loss of financial assets carried at cost	-	31,969
Net loss on disposal of property, plant and equipment	16,069	8,732
Gain on disposal of available-for-sale financial assets	-	(213,148)
Net changes in operating assets and liabilities		
Notes receivable	-	(1,560)
Accounts receivable	(60,861)	(46,382)
Other financial assets, current	32,107	105,517
Inventories	297,895	9,992
Deferred income tax asset, current	10,850	11,526
Other current assets	(8,919)	(24,373)
Other assets	18,148	610
Notes payable	-	11,885
Accounts payable	(17,507)	(102,150)
Accounts payable to related parties	(10,301)	20,437
Income tax payable	(68,529)	(164,312)
Other payables	(14,646)	226,528
Other current liabilities	(23,835)	(1,225)
Deferred income tax liability	(50)	(130)
Reserve for retirement plan	269	889
Other liabilities	-	15,000
Net cash provided by operating activities	<u>539,733</u>	<u>1,044,524</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in available-for-sale financial assets	-	(4,409)
Proceeds from disposal of financial assets measured at fair value through profit or loss, current	-	516,896
Increase in investment by equity-method	-	(150,000)
Acquisition of property, plant and equipment	(377,400)	(385,907)
Proceeds from disposal of property, plant and equipment	2,105	5,554
Decrease in refundable deposits	145	2,608
Increase in deferred charges	-	(26,764)
Increase in computer software	(13,841)	(487)
Decrease and return the capital from investees	<u>2,309</u>	<u>41,128</u>
Net cash used in investing activities	<u>(386,682)</u>	<u>(1,381)</u>

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PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS SIX MONTHS ENDED JUNE 30, 2012 AND 2011 (In Thousands of New Taiwan Dollars)

	2012	2011
CASH FLOWS FROM FINANCING ACTIVITIES		
Employee stock options exercised	\$ 27,122	\$ 32,346
Decrease in advanced deposits received	(164)	(575)
Changes of minority interest	<u>(200)</u>	<u>(129)</u>
Net cash provided by financing activities	<u>26,758</u>	<u>31,642</u>
EFFECT OF EXCHANGE RATE CHANGES	<u>(6,071)</u>	<u>(16,647)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	173,738	1,058,138
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>2,119,386</u>	<u>1,890,244</u>
CASH AND CASH EQUIVALENTS, END OF PERIOD	<u>\$ 2,293,124</u>	<u>\$ 2,948,382</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the period		
Interest (excluding interest capitalized)	<u>\$ 1,523</u>	<u>\$ 1,766</u>
Income tax	<u>\$ 201,499</u>	<u>\$ 360,293</u>
NONCASH INVESTING AND FINANCING ACTIVITIES		
Translation adjustments on foreign long-term equity investments	<u>\$ (42,695)</u>	<u>\$ (2,879)</u>
Cash dividends payable	<u>\$ 995,969</u>	<u>\$ 1,057,779</u>
Recognized unrealized loss on financial instruments of investees	<u>\$ 1,863</u>	<u>\$ 169,553</u>
Change in unrealized (gain) loss on available-for-sale financial instruments	<u>\$ (4,189)</u>	<u>\$ 25,864</u>
ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT		
Increase in property, plant and equipment acquired	\$ 377,317	\$ 387,325
Add payables for acquisition of property, plant and equipment, beginning of period	256	1,352
Less payables for acquisition of property, plant and equipment, end of period	<u>(173)</u>	<u>(2,770)</u>
Cash paid for acquisition of property, plant and equipment	<u>\$ 377,400</u>	<u>\$ 385,907</u>

The accompanying notes are an integral part of the consolidated financial statements.

(Concluded)

PHIHONG TECHNOLOGY CO., LTD. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2012 AND 2011

(In Thousands of New Taiwan Dollars (Except Per Share Data), Unless Stated Otherwise)

1. ORGANIZATION AND OPERATIONS

Phihong Technology Co., Ltd. (“Phihong”), which was formerly known as Phihong Enterprise Co., Ltd. was incorporated on December 12, 1972 under the laws of the Republic of China (“ROC”). Under a resolution approved in the stockholders’ meeting in June 2003, Phihong changed its name to Phihong Technology Co., Ltd. Phihong primarily manufactures and sells AC/DC power adapters, charger bases, power supply modules, UPS (uninterruptible power supply) for computers, ballasts, etc.

In February 2000, Phihong was authorized to have its stocks traded on the over-the-counter (OTC) securities exchange in Taiwan. In September 2001, Phihong’s stocks ceased to be OTC traded and Phihong later obtained authorization to have its stocks listed on the Taiwan Stock Exchange.

In addition to Phihong, the consolidated financial statements included the following companies:

Name	Place of Incorporation	Phihong and Its Subsidiaries’ Ownership Percentage
Phihong International Corp.	British Virgin Islands	100.00
Phitek International Co., Ltd.	British Virgin Islands	100.00
Ascent Alliance Ltd.	British Virgin Islands	100.00
Phihong USA Corp.	USA	100.00
American Ballast Corp.	USA	100.00
Guang-Lai Investment Co., Ltd.	Republic Of China	100.00
Phihong Technology Japan Co., Ltd.	Japan	100.00

Phihong International Corp. (PHI), a 100% subsidiary of Phihong incorporated in the British Virgin Islands in 1996, sells power supplies as well as invests in its subsidiaries in China to manufacture various power supplies.

PHI’s subsidiaries were as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
Phihong (Dongguan) Electronics Co., Ltd.	Mainland China	100.00	Manufactures various power supplies
Phitek (Tianjin) Electronics Co., Ltd.	Mainland China	100.00	Manufactures various power supplies
Phihong Electronics (Suzhou) Co., Ltd.	Mainland China	100.00	Manufactures various power supplies and ballasts
Value Dynamic Investment Ltd.	British Virgin Islands	100.00	Makes investments
N-Lighten Technologies, Inc.	USA	58.45	Makes investments

Phihong acquired 78.23% ownership of N-Lighten Technologies, Inc. through the PHI and Guang-Lai investment Co., Ltd. as of June 30, 2012.

Value Dynamic's subsidiary was as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
Yanghong Lighting Trade Co., Ltd.	Mainland China	100.00	Manufactures various lighting supplies

Phitek International Co., Ltd. (PHK), a 100% subsidiary of Phihong incorporated in the British Virgin Islands in 1999, is an agent of selling power supplies as well as an investors in its subsidiary in China which manufacture various power supplies.

PHK's subsidiary was as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
Dongguan Phitek Electronics Co., Ltd.	Mainland China	100.00	Manufactures various power supplies
Suzhou Xin Phihong Electronics Co., Ltd.	Mainland China	10.12	Manufactures and sells lighting supplies

Suzhou Xin Phihong Electronics Co., Ltd., a subsidiary of PHK and Phihong Electronics (Suzhou) Co., Ltd. in China, manufactures and sells lighting supplies. PHK and Phihong Electronics (Suzhou) Co., Ltd. acquired 10.12% and 89.88% ownership of Suzhou Xin Phihong Electronics Co., Ltd., respectively.

Ascent Alliance Ltd. (PHQ), a 100% subsidiary of Phihong incorporated in the British Virgin Islands in 2004, is an agent of selling electronic materials as well as an investors in its subsidiary in China which manufactures various electronic materials.

PHQ's subsidiaries were as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
Dongguan Shuang-Ying Electronics Co., Ltd.	Mainland China	100.00	Manufactures and sells electronic materials
Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd.	Mainland China	100.00	Manufactures and sells the electronic materials and transformers

Phihong USA Corp. (PHA), a 100% subsidiary of Phihong incorporated in the USA in 1997, sells various power supplies.

American Ballast Corp. (PHAB), a 100% subsidiary of Phihong incorporated in the USA in 2004, sells various ballasts.

Guang-Lai Investment Co., Ltd. ("Guang-Lai"), was incorporated in Taiwan in October 2001, primarily engages in investments.

Before December 30, 2011, Guang-Lai held 25.33% ownership interest of Ai-Hon Investment Co., Ltd. (“Ai-Hon”). Spring City Resort Co., Ltd. (“Spring City Resort”) merged with Ai-Hon on December 31, 2011 and Spring City Resort is the surviving company. Therefore, Guang-Lai gets Spring City Resort’s shares.

N-Lighten Technologies’ Inc., a subsidiary of PHI and Guang-Lai incorporated in the USA, invests in its subsidiary in China.

N-Lighten Technologies’ subsidiary was as follows:

Name	Place of Incorporation	Direct Ownership Percentage	Primary Operations
N-Lighten (Shanghai) Trading Inc. (formerly name N-Lighten (Shanghai) Technologies Inc.)	Mainland China	100.00	Develop, manufacture and sale various equipment and monitors

Phihong Technology Japan Co., Ltd. (“PHJ”) was incorporated in Japan in April 2010. It primarily engages in sales of power components.

Phihong and its subsidiaries (collectively, the “Company”) had 9,379 and 10,034 employees as of June 30, 2012 and 2011, respectively.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been prepared in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers and accounting principles generally accepted in the ROC.

For readers’ convenience, the accompanying financial statements have been translated into English from the original Chinese version prepared and used in the ROC. If inconsistencies arise between the English version and the Chinese version or if differences arise in the interpretations between the two versions, the Chinese version of the financial statements shall prevail.

The Company’s significant accounting principles are summarized as follows:

Consolidation

The accompanying consolidated financial statements include the accounts of Phihong and its controlled subsidiaries (collectively, the “Company”). All significant intercompany balances and transactions have been eliminated.

Foreign-currency Transactions and Translation of Foreign-currency Financial Statements

Equity-method investees’ assets and liabilities denominated in foreign currencies are translated at the balance sheet date exchange rates. Stockholders’ equity accounts are translated at the historical rate, except for the beginning balance of the retained earnings, which is carried at the translated amount of the preceding period. Dividends are translated at the spot rate of the declaration date. Income statement accounts are translated at the current rate or weighted-average rate of the current period.

Foreign-currency transactions (except derivative transactions) are recorded in New Taiwan dollars at the exchange rates prevailing on the transaction date. Gains or losses resulting from the application of prevailing exchange rates when foreign-currency receivables and payables are settled are credited or charged to income. Assets and liabilities denominated in foreign currencies (except those on foreign long-term investments) are translated at the balance sheet date exchange rates, and resulting gains or losses are credited or charged to current income.

At the balance sheet date, foreign-currency nonmonetary assets (such as equity instruments) and liabilities that are measured at fair value are revalued using prevailing exchange rates, with the exchange differences which recognized in shareholders' equity if the changes in fair value are recognized in shareholders' equity and recognized in profit and loss if the changes in fair value is recognized in profit or loss.

Foreign-currency nonmonetary assets and liabilities that are carried at cost continue to be stated at exchange rates at trade dates.

Accounting Estimates

Under above guidelines, law and principles, certain estimates and assumptions have been used for the allowance for doubtful accounts, allowance for loss on inventories, depreciation of property, plant and equipment, asset impairment loss, income tax, pension cost, bonuses to employees, directors and supervisors, etc. Actual results may differ from these estimates.

Current/Noncurrent Assets and Liabilities

Cash or cash equivalents, assets held for operating purposes and assets expected to be converted into cash or consumed within one year from balance sheet date are recorded as current assets. Property, plant and equipment, intangible assets and other assets not being recorded as current assets are recorded as noncurrent assets. Liabilities incurred for operating purposes and expected to be liquidated within one year from balance sheet date are recorded as current liabilities. Liabilities not being recorded as current liabilities are recorded as noncurrent liabilities.

Cash and Cash Equivalents

Cash includes unrestricted cash and bank deposits. Cash equivalents refer to short-term commercial papers whose carrying values approximate fair values.

Available-for-sale Financial Assets

Available-for-sale financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are remeasured at fair value, with changes in fair value recognized in equity until the financial assets are disposed of, at which time, the cumulative gain or loss previously recognized in equity is included in profit or loss for the year. All regular purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The fair value of listed and over-the-counter stocks, open-end fund, and bonds are determined at their closing prices, net asset values, and reference prices from the over-the-counter securities exchange in Taiwan at the balance sheet date, respectively.

Cash dividends are recognized as income at the ex-dividend date but cash dividends resulting from net income before the investment date should be recorded as a decrease in the investment cost. Stock dividends received are not recognized as income; they are instead reflected as an increase in the number of shares held.

An impairment loss is recognized when there is objective evidence that the financial asset is impaired. Any subsequent decrease in impairment loss for an equity instrument classified as available-for-sale is recognized directly in equity. If the fair value of a debt instrument classified as available-for-sale subsequently increases as a result of an event which occurred after the impairment loss was recognized, the decrease in impairment loss is reversed to profit.

Financial Assets Carried at Cost, Noncurrent

Equity investments without reliable fair value are carried at their original cost. The accounting process for dividend income is similar with that for available-for-sale financial assets. If there is objective evidence showing that the asset is impaired, the impairment loss shall be recognized and not allowed to be reversed.

Impairment of Accounts Receivable

On January 1, 2011, the Company adopted the third-time revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." One of the main revisions is that impairment of receivables originated by the Company should be covered by SFAS No. 34. Accounts receivable are assessed for impairment at the end of each reporting period and considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the accounts receivable, the estimated future cash flows of the asset have been affected.

Inventories

Inventories consist of raw materials, supplies, finished goods and work-in-process and are stated at the lower of cost or net realizable value. Inventory write-downs are made item by item, except where it may be appropriate to group similar or related items. Net realizable value is the estimated selling price of inventories less all estimated costs of completion and costs necessary to make the sale. Inventories are recorded at standard cost and adjusted to approximate weighted-average cost on the balance sheet date.

Long-term Investments at Equity Method

Investments in which the Company holds 20 percent or more of the investees' voting shares or exercises significant influence over the investees' operating and financial policy decisions are accounted for by the equity method.

The investment cost is allocated to the assets and liabilities of the investee (proportionate to the percentage of ownership) on the basis of their fair values at the date of investment, and the investment cost in excess of the fair value of the identifiable net assets of the investee is recognized as goodwill. Goodwill is not amortized. The fair value of the net identifiable assets of the investee in excess of the investment cost is used to reduce the fair value of each of the noncurrent assets of the investee in proportion to the respective fair values of the noncurrent assets, with any excess recognized as an extraordinary gain.

When the Company subscribes for its investee's newly issued shares at a percentage different from its percentage of ownership in the investee, the Company records the change in its equity in the investee's net assets as an adjustment to investments, with a corresponding amount credited or charged to capital surplus. When the adjustment should be debited to capital surplus, but the capital surplus arising from long-term investments is insufficient, the shortage is debited to retained earnings.

When the Company's share in losses of an investee over which the Company has significant influence equals its investment in that investee plus any advances made to the investee, the Company discontinues applying the equity method. The Company continues to recognize its share in losses of the investee if (a) the Company commits to provide further financial support to the investee or (b) the losses of the investee are considered to be temporary and sufficient evidence shows imminent return to profitability.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Borrowing costs directly attributable to the acquisition or construction of property, plant and equipment are capitalized as part of the cost of those assets. Major additions and improvements to property, plant and equipment are capitalized, while costs of repairs and maintenance are expensed currently.

Depreciation is provided on a straight-line basis over estimated useful lives as follows:

Items	Estimated Useful Lives
Buildings and improvements	5-50 years
Machinery and equipment	3-9 years
Furniture, fixtures and office equipment	3-8 years
Other equipment	3-10 years

Property, plant and equipment still in use beyond their original estimated useful lives are further depreciated over their new estimated useful lives. Depreciation of revaluated assets is provided on a straight-line basis over their remaining estimated useful lives determined at the time of revaluation.

The related cost (including revaluation increment), accumulated depreciation, accumulated impairment losses and any unrealized revaluation increment of an item of property, plant and equipment are derecognized from the balance sheet upon its disposal. Any gain or loss on disposal of the asset is included in nonoperating gains or losses in the year of disposal.

Land Use Rights

Royalties paid in Mainland China for land use rights are amortized on a straight-line basis over 50 years.

Computer Software

Computer software acquired are initially recorded at cost and amortized on a straight-line basis over their estimated useful lives.

Goodwill

Prior to January 1, 2006, goodwill recognized in equity investment or business combination was amortized on a straight-line basis over 10 years. Effective January 1, 2006, goodwill is not amortized but should be evaluated periodically for impairment. Impairment loss on goodwill cannot be reversed.

Deferred Charges

Deferred charges are the cost of office decoration and construction of telephone and internet systems and others. The amounts are amortized on a straight-line basis over 2 to 10 years.

Impairment of Assets

If the recoverable amount of an asset (mainly property, plant and equipment, deferred charges, intangible assets and investments accounted for by the equity method) is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is charged to earnings unless the asset is carried at a revalued amount, in which case the impairment loss is first treated as a deduction to the unrealized revaluation increment and any remaining loss is charged to earnings.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased accordingly, but the increased carrying amount may not exceed the carrying amount that would have been determined had

no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized in earnings, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is first recognized as gains to the extent that an impairment loss on the same revalued asset was previously charged to earnings. Any excess amount is treated as an increase in the unrealized revaluation increment.

For the purpose of impairment testing, goodwill is allocated to each of the relevant cash-generating units (“CGUs”) that are expected to benefit from the synergies of the acquisition. A CGU to which goodwill has been allocated is tested for impairment annually or whenever there is an indication that the CGU may be impaired. If the recoverable amount of the CGU becomes less than its carrying amount, the impairment is allocated to first reduce the carrying amount of the goodwill allocated to the CGU and then to the other assets of the CGU pro rata on the basis of the carrying amount of each asset in the CGU. A reversal of an impairment loss on goodwill is disallowed.

For long term equity investments for which the Company has significant influence but with no control, the carrying amount (including goodwill) of each investment is compared with its own recoverable amount for the purpose of impairment testing.

Pension Plan

The Company has two types of pension plans: Defined benefit and defined contribution.

Under the defined benefit plan, the net pension cost is recognized according to actuarial calculations. Under the defined contribution plan, the amounts contributed are recognized as current expense throughout the employees’ service periods.

PHA, a 100% subsidiary of Pihong, subscribed pension plans. It participates in the qualification as the formal staff on the job and allots the pension fund according to 3% of total wages every month.

Pension plans of the People’s Republic of China are defined contribution which in accordance with the local regulations. The amounts contributed are recognized as current expense every month.

Income Tax

The Company adopted Statement of Financial Accounting Standards No. 22, “Accounting for Income Taxes,” which require an asset and liability approach to account for income tax. Deferred income tax assets and liabilities are computed for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are provided for deferred tax assets with uncertain realization.

Tax credits on Pihong for research and development expenditures are recognized using the flow-through method.

Income tax on Pihong and Guang-Lai’s unappropriated earnings at a rate of 10% is expensed in the year of stockholders’ approval to retain the earnings which is the year subsequent to the year the earnings are generated.

Under the related income tax laws in the USA, PHA’s, PHAB’s and N-Lighten Technologies’ state income taxes are computed at 8.84% of taxable income. Federal income taxes are computed at 15% to 38% of taxable income.

Under the laws and regulations of the British Virgin Islands (BVI), PHI, PHK, PHQ and Value Dynamic Investment Ltd. are exempt from BVI income tax.

Under the Income Tax Law of the People's Republic of China for foreign enterprises and enterprises with foreign investments, Pihong (Dongguan) Electronics Co., Ltd., Phitek (Tianjin) Electronics Co., Ltd., Pihong Electronics (Suzhou) Co., Ltd., Dongguan Phitek Electronics Ltd., Dongguan Shuang-Ying Electronics Co., Ltd., Jin-Sheng-Hong (Jiangxi) Electronics Co., Ltd., Yanghong Lighting Trade Co., Ltd., N-Lighten (Shanghai) Trading, Inc. and Suzhou Xin Pihong Electronic Co., Ltd.

Under the related income tax laws in Japan, PHJ's income tax is computed at 18% of taxable income if the taxable income is lower than (or equal to) JPY8,000 thousand and the taxable income in excess of JPY8,000 thousand is taxed at 30% taxable income.

Stock-based Compensation

Employee stock options granted on or after January 1, 2008 are accounted for under SFAS No. 39, "Accounting for Share-based Payment." Under SFAS No. 39, the value of the stock options granted, which is equal to the best available estimate of the number of stock options expected to vest multiplied by the grant-date fair value, is expensed on a straight-line basis over the vesting period, with a corresponding adjustment to capital surplus - employee stock options. The estimate is revised if subsequent information indicates that the number of stock options expected to vest differs from previous estimates.

Employee stock options granted between January 1, 2004 and December 31, 2007 were accounted for under the interpretations issued by the Accounting Research and Development Foundation ("ARDF"). The Company adopted the intrinsic value method, under which compensation cost was recognized on a straight-line basis over the vesting period.

Sales Recognition

Sales are recognized when titles to products and the risks of ownership are transferred to customers, primarily upon shipment. Sales returns and allowances are subtracted from sales as these are incurred and the related costs of goods sold are eliminated.

Sales are measured at the fair value agreed by the Company and the buyers. However, if the accounts receivables are due in a year, they are not recorded at discounted value as the fair value approximates the carrying amounts.

Reserve for Sale Warranties

Reserve for sale warranties is accrued based on the proper percentage of the current sales.

Earnings Per Share

The amount of basic earnings per common share is calculated by dividing net earnings by the weighted average number of common shares outstanding. On a diluted basis, net earnings and shares outstanding are adjusted to assume the conversion of employee stock options from the date of issuance. Treasury stock method is used to calculate the stock warrants' dilutive potential common shares. However, employee stock options with anti-dilutive effect are excluded from the calculation.

Nonderivative Financial Instruments

The recognition, valuation, and measurement of nonderivative financial assets and liabilities are made in accordance with the above accounting policies and accounting principles generally accepted in the ROC.

Reclassifications

Certain accounts in the financial statements as of and for the six months ended June 30, 2011 have been reclassified to conform to the presentation of the financial statements as of and for the six months ended June 30, 2012.

3. ACCOUNTING CHANGES

Accounting Treatment for the Financial Instruments

On January 1, 2011, the Company adopted the newly revised Statement of Financial Accounting Standards (SFAS) No. 34, "Financial Instruments: Recognition and Measurement." The main revisions include loans and receivables originated by the Company are now covered by SFAS No. 34. This accounting change did not have a significant effect on the Company's financial statements as of and for the period ended June 30, 2011.

Operating Segments

On January 1, 2011, the Company adopted the newly issued SFAS No. 41, "Operating Segments." The 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. This statement supersedes SFAS No. 20, "Segment Reporting."

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as of June 30, 2012 and 2011 were as follows:

	2012	2011
Cash on hand	\$ 2,468	\$ 2,119
Checking accounts	2,472	14,394
Savings accounts	56,159	105,078
Foreign-currency deposits	1,286,317	1,697,042
Time deposits	197,000	203,820
Marketable securities - short-term notes	<u>748,708</u>	<u>925,929</u>
	<u>\$ 2,293,124</u>	<u>\$ 2,948,382</u>

5. ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012 and 2011 were as follows:

	2012	2011
Accounts receivable	\$ 2,049,932	\$ 1,906,973
Less allowance for doubtful accounts	<u>(32,444)</u>	<u>(48,923)</u>
	<u>\$ 2,017,488</u>	<u>\$ 1,858,050</u>

As of June 30, 2012 and 2011, accounts receivable of PHA amounted to \$496,384 thousand and \$967,205 thousand, had been pledged to secure long-term debts (the amount was not used as of June 30, 2012 and 2011). See Note 21 to the consolidated financial statements.

6. INVENTORIES

Inventories as of June 30, 2012 and 2011 were as follows:

	2012	2011
Raw materials	\$ 615,749	\$ 757,862
Work-in-process	171,299	218,414
Finished goods	295,826	295,689
Merchandise	<u>699,231</u>	<u>1,207,191</u>
	<u>\$ 1,782,105</u>	<u>\$ 2,479,156</u>

As of June 30, 2012 and 2011, the allowance for inventory devaluation was \$270,170 thousand and \$137,789 thousand, respectively.

The cost of inventories recognized as cost of goods sold for the six months ended June 30, 2012 and 2011 was \$4,606,479 thousand and \$5,487,947 thousand, respectively. In which included \$6,340 thousand and \$18,391 thousand of inventory devaluation and for the six months ended June 30, 2012 and 2011, respectively.

As of June 30, 2012 and 2011, inventories of PHA amounted to \$409,665 thousand and \$1,110,848 thousand, respectively, had been pledged to secure long-term debts (the amount was not used as of June 30, 2012 and 2011). See Note 21 to the consolidated financial statements.

7. AVAILABLE-FOR-SALE FINANCIAL ASSETS, NONCURRENT

Available-for-sales financial asset, noncurrent as of June 30, 2012 and 2011 were as follows:

	2012	2011
Hua Jung Components Co., Ltd.	<u>\$ 37,546</u>	<u>\$ 4,407</u>

PHI sold all of its own shares of JK Yaming International Holdings Ltd. in May 2011. As a result, the gain on such disposal of investment in the amount of \$189,319 thousand was recorded as gain on disposal of investment for the six months ended June 30, 2011.

8. FINANCIAL ASSETS CARRIED AT COST, NONCURRENT

Financial assets carried at cost, noncurrent as of June 30, 2012 and 2011 were as follows:

	2012	2011
Bao-Dian Venture Capital Co., Ltd.	\$ 30,000	\$ 30,000
Yong-Li Investment Ltd.	50,000	50,000
Yuan-Jing Venture Capital Co., Ltd.	33,500	33,500
TC-1 Culture Fund	30,000	30,000
Hui-Cheng Electronic Co., Ltd.	15,248	15,248
Asiatech Taiwan Venture Fund	12,748	15,057
NeoPac Lighting Limited	32,224	32,224
Less: Accumulated impairment	<u>(112,775)</u>	<u>(89,775)</u>
	<u>\$ 90,945</u>	<u>\$ 116,254</u>

The stocks and other investments mentioned above do not have open pricing and reliable fair values, thus they are carried at cost. The Company performed impairment testing on them periodically.

Bao-Dian Venture Capital Co., Ltd., Yong-Li Investment Ltd., TC-1 Culture Fund, and NeoPac Lighting Limited have experienced continuous operating loss; thus, the Company recognized \$31,969 thousand impairment loss for the six months ended June 30, 2011.

Bao-Dian Venture Capital Co., Ltd. decreased its paid-in capital to write-off its accumulated deficits for six months ended June 30, 2012, at the ratio of 55%. The legal procedure in decreasing its paid-in capital are still in process as of June 30, 2012.

Yuan-Jing Venture Capital Co., Ltd had paid-in capital of 925,000 thousand as of January 1, 2011. It decreased its paid-in capital by cash in the amount of \$305,250 thousand at the ratio of 33% in 2011. As a result, its paid-in capital was \$619,750 thousand as of June 30, 2012.

9. LONG-TERM EQUITY INVESTMENTS

Long-term equity investments as of June 30, 2012 and 2011 were as follows:

	2012			2011	
	Original Cost	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
Hao-Xuan Venture Capital Co., Ltd.	\$ 70,830	\$ 65,091	24.67	\$ 72,293	24.67
Han-Yu Venture Capital C., Ltd.	100,000	92,553	22.22	118,199	22.22
Spring City Resort Co., Ltd.	190,000	31,881	25.33	32,060	25.33
Phihong PWM Brasil Ltda.	8,258	-	60.00	-	60.00
First International Computer Do Brasil Ltda	67,618	-	33.85	-	33.85
H&P Venture Capital Investment Corp.	<u>150,000</u>	<u>146,138</u>	32.26	<u>149,533</u>	32.26
	<u>\$ 586,706</u>	<u>\$ 335,663</u>		<u>\$ 372,085</u>	

Long-term equity investment (loss) income for the six months ended June 30, 2012 and 2011 is summarized as follows:

	2012	2011
Hao-Xuan Venture Capital Co., Ltd.	\$ (281)	\$ 5,781
Han-Yu Venture Capital Co., Ltd.	(2,378)	18,078
Spring City Resort Co., Ltd.	1,172	165
H&P Venture Capital Investment Corp.	<u>(328)</u>	<u>(467)</u>
	<u>\$ (1,815)</u>	<u>\$ 23,557</u>

Hao-Xuan Venture Capital Co., Ltd. (“Hao-Xuan”) was incorporated in May 2004 to engage in investing activities. In May 2011, it decreased its paid-in capital by cash amounted to \$99,846 thousand. As a result, its paid-in capital was \$287,154 thousand as of June 30, 2012.

Han-Yu Venture Capital Co., Ltd. (“Han-Yu”) was incorporated in June 2004 to engage in investments. Its paid-in capital was \$450,000 thousand as of June 30, 2012.

Ai-Hon, which was invested by Phihong, was primarily engaged in investment business. Spring City Resort, which was a wholly-owned subsidiary of Ai-Hon, was founded in 1975 and is primarily engaged in hotel, restaurant and bathroom services. Spring City Resort merged with Ai-Hon on December 31, 2011; Spring City Resort is the surviving company. Its paid-in capital was \$112,000 thousand as of June 30, 2012.

Phihong's investments in Brazil include 60% ownership interest of Phihong PWM Brasil Ltda. and 33.85% ownership interest of First International Computer Do Brasil Ltda. Additionally, Phihong PWM Brasil Ltda. also holds 21.15% ownership interest of First International Computer Do Brasil Ltda. The other 40% ownership interest of Phihong PWM Brasil Ltda. is held by the local management team. According to cooperation mode between the Company and the local management team and Brazilian local laws, the Company has no controlling power over Phihong PWM Brasil Ltda. Because the recoverability of the investments in Phihong PWM Brasil Ltda. and First International Computer Do Brasil Ltda. is considered remote, the Company reduced the carrying value of both investments to zero.

H&P Venture capital Investment Corp. was incorporated in May 2011. It primarily engages in investing activities. Its paid-in capital was \$465,000 thousand as of June 30, 2012.

10. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of June 30, 2012 and 2011 were as follows:

	2012			2011
	Cost	Accumulated Depreciation	Carrying Value	Carrying Value
Land	\$ 255,780	\$ -	\$ 255,780	\$ 168,972
Buildings and improvements	2,495,027	801,344	1,693,683	1,618,745
Machinery and equipment	2,321,245	1,104,467	1,216,778	1,211,274
Transportation equipment	36,985	27,448	9,537	13,898
Furniture, fixtures and office equipment	280,417	224,405	56,012	73,552
Other equipment	266,572	159,005	107,567	74,302
Construction in progress and prepayments for purchase of land and equipment	218,242	-	218,242	121,258
	\$ 5,874,268	\$ 2,316,669	\$ 3,557,599	\$ 3,282,001

In March 2011, Phihong has purchased a parcel of land amounted to \$85,136 thousand in Yongkang Dist, Tainan City for factory. As the title registration procedures were still in process, the prepayment of \$77,167 thousand was recorded as "prepayments for purchase of land and equipment" as of June 30, 2011.

As of June 30, 2012 and 2011, land and buildings and improvements of Phihong at the amounts of \$277,087 thousand and \$287,060 thousand, respectively had been pledged to secure its bank loans. See Note 21 to the consolidated financial statements.

11. LONG-TERM DEBTS

Long-term debts as of June 30, 2012 and 2011 were as follows:

	2012	2011
Hua Nan Bank		
Medium-term secured loan. The loan term was from December 29, 2011 to December 29, 2013. Interest rate was 1.37% on June 30, 2012. Interest is paid monthly. The principal of \$200,000 will be paid on December 29, 2013.	\$ 200,000	\$ -
Medium-term secured loan. Repayable from September 30, 2010 to September 30, 2017; interest rate was 1.29% on June 30, 2011. Interest is paid monthly. The principal is due in monthly installments commencing from September 30, 2012. The full principle was early repaid in December 2011.	<u>-</u>	<u>200,000</u>
	<u>\$ 200,000</u>	<u>\$ 200,000</u>

The pledged properties and endorsements/guarantees as collaterals for bank loans, please see Notes 10, 20 and 21 to the financial statements.

12. OTHER PAYABLES

	June 30	
	2012	2011
Accrued expenses	\$ 697,281	\$ 895,247
Bonus payable	281,809	464,454
Salaries payable	202,088	202,388
Dividend payable	995,969	1,057,779
Other	<u>28,838</u>	<u>50,600</u>
	<u>\$ 2,205,985</u>	<u>\$ 2,670,468</u>

13. CAPITAL STOCK

Phihong

	June 30	
	2012	2011
Authorized capital		
Shares (in thousands)	<u>600,000</u>	<u>600,000</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>
Issued capital		
Shares (in thousands)	<u>277,044</u>	<u>274,846</u>
Par value (in dollars)	<u>\$ 10</u>	<u>\$ 10</u>
Capital	<u>\$ 2,770,439</u>	<u>\$ 2,748,459</u>

As of January 1, 2012, the Company's outstanding capital amounted to \$2,749,329 thousand. The employee stock warrant holders exercised 1,323 thousand common shares at an exercise price of \$20.5, and exercised 788 thousand common shares for advanced collections for capital stock transferred to capital stock between January 1, 2012 to June 30, 2012. As of June 30, 2012, the Company's outstanding capital amounted to \$2,770,439 thousand, divided into 277,044 thousand common shares with a par value of NT\$10.

The Company's outstanding capital amounted to \$2,725,939 thousand on January 1, 2011. The employee stock warrant holders exercised 1,452 thousand shares at an exercise price of \$21.90, and exercised 800 thousand common shares for advanced collections for capital stock transferred to capital stock, between January 1, 2011 to June 30, 2011. As of June 30, 2011, the Company's outstanding capital amounted to \$2,748,459 thousand, divided into 274,846 thousand common shares with a par value of NT\$10.

As the registration procedures were still in process, the amounts of \$547 thousand were recorded as "advanced collections for capital stock" as of June 30, 2011.

14. EMPLOYEE STOCK OPTION PLANS

At the November 23, 2007 meeting, the Board of Directors of Phihong resolved to issue employee stock warrants in accordance with Securities and Exchange Law Article 28-3 within the quantity of 15,000 units. Each individual employee stock warrant is granted the right to purchase 1,000 new issued common shares. The exercise price is the closing price of Phihong's common shares at the employee stock warrants' issuance date. The warrant holders can exercise the right up to half of the granted warrant units no earlier than two years from the granted date. After three years from the granted date, the warrants holders are eligible to exercise the right up to three-fourth of the granted warrant units. After four years from the granted date, the warrants holders are eligible to exercise all the warrants owned. The options granted are valid for six years and the warrant holders can not exercise the right after six years from the granted date. As of December 28, 2007, Phihong issued stock warrants of 15,000 units at an exercise price of \$21.30 per share. The exercise price will be adjusted according to a calculating formula when there are stock and cash dividends and issuance of capital stock. As a result, the exercise price was \$20.50 per share as of June 30, 2012.

Information about employee stock option plans was as follows:

	Six Months Ended June 30			
	2012		2011	
	Number of Exercisable Thousand Shares	Weighted- average Exercise Price (NT\$)	Number of Exercisable Thousand Shares	Weighted- average Exercise Price (NT\$)
Balance, beginning of period	6,867	\$20.50	9,194	\$21.90
Options exercised	<u>(1,323)</u>	20.50	<u>(1,452)</u>	21.90
Balance, end of period	<u>5,544</u>	20.50	<u>7,742</u>	21.90
Options exercisable, end of period	<u>5,544</u>		<u>3,992</u>	
Weighted-average fair value of options granted (NT\$)		<u>\$ 10.40</u>		<u>\$ 10.40</u>

Information about the outstanding and exercisable options as of June 30, 2012 and 2011 was as follows:

Range of Exercise Price (NT\$)	Options Outstanding			Options Exercisable	
	Number of Exercisable Shares	Weighted- average Remaining Life (Years)	Weighted- average Exercisable Price (NT\$)	Number of Exercisable Shares	Weighted- average Exercisable Price (NT\$)
<u>June 30, 2012</u>					
\$20.50	<u>5,544</u>	<u>1.5</u>	<u>\$ 20.50</u>	<u>5,544</u>	<u>\$ 20.50</u>
<u>June 30, 2011</u>					
\$21.90	<u>7,742</u>	<u>2.5</u>	<u>\$ 21.90</u>	<u>3,992</u>	<u>\$ 21.90</u>

Had the Company recognized the compensation cost under the fair value method using the Black-Scholes pricing model, the assumptions and pro forma results of the Company for the six months ended June 30, 2011 would have been as follows:

	2011
Assumptions	
Risk-free interest rate	2.41%
Expected life	6 years
Expected volatility	48.59%
Expected dividend yield	0%
Net income	
As reported	\$ 964,265
Pro forma (attributed to shareholders of the parent company)	\$ 955,198
Basic after income tax earnings per share (NT\$)	
As reported (attributed to shareholders of the parent company)	\$3.51
Pro forma (attributed to shareholders of the parent company)	\$3.48

No more employee stock option information needs to be disclosed for the six months ended June 30, 2012, because the service years of the employees was expired on December 28, 2011.

15. RETAINED EARNINGS

Under the Company Law of the ROC and the Company's Articles of Incorporation, 10% of the Company's annual earnings, net of tax and any deficit, should first be appropriated as legal reserve until such reserve equals to the amount of the Pihong's capital, and then a special reserve should be appropriated as required by laws or domestic authorities.

Any remaining earnings plus unappropriated earnings accumulated by prior years, unless to be retained partially by Pihong or resolved otherwise by the stockholders, and plan to assign proposal, draw shareholders to recognize and should be appropriated as follows:

- a. Not greater than 2% as remuneration to directors and supervisors;
- b. Not less than 10% as bonuses to employees; and
- c. Remainders as dividends, of which at least 10% should be cash dividends.

Under the Company Law, capital surplus can only be used to offset a deficit. However, the capital surplus from shares issued in excess of par may be capitalized, which however is limited to a certain percentage of the Company's paid-in capital. Under the revised Company Law issued on January 4, 2012, the aforementioned capital surplus also may be distributed in cash. The capital surplus from long-term investments may not be used for any purpose.

For the six months ended June 30, 2012 and 2011, the bonus to employees was \$22,672 thousand and \$156,211 thousand, respectively, and the remuneration to directors and supervisors was \$2,519 thousand and \$17,357 thousand, respectively. The bonus to employees and remuneration to directors and supervisors represented 20%, of net income (net of the bonus and remuneration). Material differences between such estimated amounts and the amounts proposed by the Board of Directors in the following year are adjusted for in the current year. If the actual amounts subsequently resolved by the shareholders differ from the proposed amounts, the differences are recorded in the year of shareholders' resolution as a change in accounting estimate. If a share bonus is resolved to be distributed to employees, the number of shares is determined by dividing the amount of the share bonus by the closing price (after considering the effect of cash and stock dividends) of the shares of the day immediately preceding the shareholders' meeting.

The appropriations of earnings for 2011 and 2010 had been approved in the shareholders' meetings on June 19, 2012 and June 15, 2011, respectively. The appropriations and dividends per share were as follows:

	Appropriation of Earnings		Dividends Per Share (NT\$)	
	For	For	For	For
	Year 2011	Year 2010	Year 2011	Year 2010
Legal reserve	\$ 142,565	\$ 161,204	\$ -	\$ -
Cash dividends	<u>995,969</u>	<u>1,057,779</u>	3.59	3.85
	<u>\$ 1,138,534</u>	<u>\$ 1,218,983</u>		

The stockholders' meeting approved the following appropriation of the 2011 and 2010 earnings: \$995,969 thousand and \$1,057,779 thousand as cash dividends; \$236,998 thousand and \$267,167 thousand as employees' bonuses and \$19,620 thousand and \$23,000 thousand as remuneration to directors and supervisors. The approved amounts of the bonus to employees and the remuneration to directors and supervisors have no difference from the accrual amounts.

Information about the bonus to employees, directors and supervisors is available on the Market Observation Post System website of the Taiwan Stock Exchange.

16. PERSONNEL, DEPRECIATION AND AMORTIZATION EXPENSES

Personnel expense, depreciation and amortization for the six months ended June 30, 2012 and 2011 are summarized as follows:

	2012			2011		
	Operating Costs	Operating Expenses	Total	Operating Costs	Operating Expenses	Total
Personnel expenses						
Salaries	\$ 500,108	\$ 368,031	\$ 868,139	\$ 541,068	\$ 498,427	\$ 1,039,495
Labor insurance and health insurance	1,044	13,127	14,171	908	10,526	11,434
Pension cost	1,217	11,145	12,362	1,182	10,569	11,751
Others	38,057	33,541	71,598	42,411	35,672	78,083
Depreciation expenses	144,184	89,872	234,056	89,090	56,590	145,680
Amortization expenses	1,186	5,426	6,612	8,267	46,696	54,963

17. INCOME TAX

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

	June 30	
	2012	2011
Income tax expense - current period	\$ 114,804	\$ 205,848
Adjustments to prior year's income tax expense	542	1,503
Additional tax at 10% of unappropriated earnings	<u>28,712</u>	<u>-</u>
Income tax expense, net	<u>\$ 144,058</u>	<u>\$ 207,351</u>

The components of deferred tax asset (liability) as of June 30, 2012 and 2011 were as follows:

	June 30	
	2012	2011
Deferred tax assets (liabilities)		
Unrealized exchange gains	\$ (1,120)	\$ (2,121)
Unrealized inventory devaluation losses	9,070	9,070
Unrealized bad-debt losses	13,310	11,160
Unrealized gross profit	15,410	78,175
Unrealized export trading losses	8,340	8,340
Unrealized pension expense	10,220	10,020
Long-term equity investments income	<u>(79,832)</u>	<u>(79,832)</u>
Deferred tax (liability) assets	(24,602)	34,812
Deferred tax assets - current	<u>(45,010)</u>	<u>(104,624)</u>
Deferred tax liabilities - noncurrent	<u>\$ (69,612)</u>	<u>\$ (69,812)</u>

Current income tax expense and income tax payable as of June 30, 2012 and 2011 were reconciled as follows:

	June 30	
	2012	2011
Income tax expense at statutory rate of 17%	\$ 103,291	\$ 232,170
Income on long-term equity investments accounted for by the equity method	11,915	(23,569)
Impairment loss of financial assets carried at cost	-	2,030
Exempt dividends	(390)	-
Gain on sale of investment	-	(4,050)
Others	<u>21</u>	<u>(733)</u>
Current income tax expense	114,804	205,848
Provision for (reversal of) deferred income tax assets (liabilities)		
Unrealized exchange gains	(2,490)	(16,386)
Unrealized bad-debt expense	3,250	-
Unrealized gross profit	(11,610)	2,480
Unrealized trading export	-	2,550
Other	<u>50</u>	<u>(40)</u>
	104,004	194,452
Add prior year's income tax payable	35,691	44,166
Additional 10% income tax on unappropriated earnings	28,712	-
Less current year's tax payments and withholding income tax	<u>(32,304)</u>	<u>(30,034)</u>
Income tax payable as of June 30, 2012 and 2011	<u>\$ 136,103</u>	<u>\$ 208,584</u>

The income tax returns examined and approved by the tax authorities are summarized as follows:

	<u>Year</u>
Phihong	2009
Guang-Lai	2009

Information on the integrated income tax system of Phihong as of June 30, 2012 is as follows:

Balance of imputation credit account	<u>\$ 425,703</u>
Undistributed earnings generated until 1997	<u>\$ -</u>
Undistributed earnings (accumulated deficits) generated since 1998	<u>\$ 829,780</u>
Actual IC ratio for earnings distribution in 2012	<u>23.28%</u>
Actual IC ratio for earnings distribution in 2011	<u>20.48%</u>

In the balance of imputation credit account as of June 30, 2012, the income tax payable for 2012 had been taken into account.

18. EARNINGS PER SHARE

Earnings per share (“EPS”) before and after income tax for the six months ended June 30, 2012 and 2011 were as follows:

	<u>2012</u>						
	Income Before Tax	Income After Tax	Income After Tax (Attributed to Parent’s Shareholders)	Weighted Average Number of Common Shares (Outstanding in Thousands)	Income Before Tax	Income After Tax	Income After Tax (Attributed to Parent’s Shareholders)
Basic earnings per share							
Net income	<u>\$ 274,875</u>	<u>\$ 130,817</u>	<u>\$ 139,952</u>	276,793	<u>\$ 0.99</u>	<u>\$ 0.47</u>	<u>\$ 0.51</u>
Effect of dilutive potential common stock							
Stock-based compensation				2,803			
Employee bonus				<u>717</u>			
Diluted earnings per share							
Net income attributed to holders of common stock plus the effect of dilutive potential common shares	<u>\$ 274,875</u>	<u>\$ 130,817</u>	<u>\$ 139,952</u>	<u>280,313</u>	<u>\$ 0.98</u>	<u>\$ 0.47</u>	<u>\$ 0.50</u>
	<u>2011</u>						
	Income Before Tax	Income After Tax	Income After Tax (Attributed to Parent’s Shareholders)	Weighted Average Number of Common Shares (Outstanding in Thousands)	Income Before Tax	Income After Tax	Income After Tax (Attributed to Parent’s Shareholders)
Basic earnings per share							
Net income	<u>\$ 1,161,730</u>	<u>\$ 954,379</u>	<u>\$ 964,265</u>	274,622	<u>\$ 4.23</u>	<u>\$ 3.48</u>	<u>\$ 3.51</u>
Effect of dilutive potential common stock							
Stock-based compensation				4,577			
Employee bonus				<u>2,664</u>			
Diluted earnings per share							
Net income attributed to holders of common stock plus the effect of dilutive potential common shares	<u>\$ 1,161,730</u>	<u>\$ 954,379</u>	<u>\$ 964,265</u>	<u>281,863</u>	<u>\$ 4.12</u>	<u>\$ 3.39</u>	<u>\$ 3.42</u>

Potential shares from bonus to employees which will be distributed in shares will be included in the weighted average number of shares outstanding in calculation of diluted EPS, if the shares have a dilutive effect. The number of shares is estimated by dividing the amount of bonus to employees by the closing

price of the common shares on the balance sheet date. The dilutive effect of the potential shares needs to be considered until the shares of employee bonus are resolved in the shareholders' meeting in the following year.

19. DISCLOSURES FOR FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

The fair values of nonderivative financial instruments as of June 30, 2012 and 2011 are summarized as follows:

Nonderivative Financial Instruments	2012		2011	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Assets				
Cash and cash equivalents	\$ 2,293,124	\$ 2,293,124	\$ 2,948,382	\$ 2,948,382
Notes receivable	-	-	1,560	1,560
Accounts receivable	2,017,488	2,017,488	1,858,050	1,858,050
Other financial assets, current	54,157	54,157	105,394	105,394
Available-for-sale financial assets, noncurrent	37,546	37,546	4,407	4,407
Financial assets carried at cost, noncurrent	90,945	-	116,254	-
Long-term equity investments	335,663	335,663	372,085	372,085
Refundable deposits	32,293	32,293	26,248	26,248
Liabilities				
Notes payable	-	-	11,908	11,908
Accounts payable	2,011,190	2,011,190	2,289,683	2,289,683
Accounts payable to related parties	25,638	25,638	20,441	20,441
Other payables	2,205,985	2,205,985	2,670,468	2,670,468
Long-term debts	200,000	200,000	200,000	200,000
Advanced deposits received	964	964	872	872

Reporting of Derivative Instruments in the Financial Statements

Approaches and assumptions used to assess the fair value of financial instruments are summarized as follows:

- Fair values of current assets and liabilities, cash and cash equivalents, notes receivable, accounts receivable, other financial assets, current, refundable deposits, notes payable, accounts payable, accounts payable to related parties, other payable, advance deposits received, etc. are based on their carrying values because of their short maturities.
- Fair values of financial instruments measured at fair value through profit or loss and available-for-sale financial assets are determined using the market value in the open market or estimated by applying valuation method to open information in the market.
- Fair values of long-term equity investments are estimated based on the audited net value of investees as of June 30, 2012 and 2011.
- Financial assets carried at cost are investments in unquoted shares, which have no quoted price in an active market and entail an unreasonably high cost to obtain verifiable fair value. Therefore, no fair value is presented.

- e. Fair values of long-term borrowings are determined using the present value of future cash flows discounted at interest rates of similar long-term debts.

The amounts of financial assets determined by market value in the open market or estimated by valuation method as of June 30, 2012 and 2011 were summarized as follows:

	Market Value in the Open Market		By Valuation Method	
	2012	2011	2012	2011
Available-for-sale financial assets, noncurrent	\$ 37,546	\$ 4,407	\$ -	\$ -

For the six months ended June 30, 2011, the net foreign exchange gain on forward contracts was \$2,435 thousand, which was recorded as nonoperating expenses and losses.

The information of financial risk was summarized as follows:

Market Risk

The Company is exposed to investing risk because it invests in the listed companies; therefore, the fair value of the stock are fluctuated due to changes in market value. One percent decline in market rate will cause the fair value of financial instruments to decline by \$375 thousand.

Credit Risk

Financial instruments are evaluated for credit risk which represents the potential loss that would be incurred by the Company if the counterparties or third parties breached the contracts. The risk factors include centralization of credit, components, contract term, and accounts receivable. The Company requires significant clients to provide guarantees or other rights of guarantee to reduce credit risk of the Company effectively.

Liquidity Risk

The Company has the ability to meet its financial obligations; thus, liquidity risks virtually do not exist.

Cash Flow Interest Rate Risk

The Company's long-term borrowings had floating interest rate. Therefore, cash flows are expected to fluctuate due to changes in market interest rates. One percent increase in market rate will cause the Company to increase its cash-out by \$2,000 thousand.

Hedge of fair value, hedge of cash flow, and hedge of a net investment in a foreign operation: None.

20. RELATED-PARTY TRANSACTIONS

The Company's related parties were as follows:

Related Party	Relationship with the Company
Xu Sheng Technology Co., Ltd. ("Xu Sheng") Shine Tech Ltd. ("Shine Tech")	The chairman of Xu Sheng is a director of Phihong The chairman of Shine Tech is the spouse of the Company's director
Peter Lin	Phihong's chairman
Progen Electronics Technology (Shanghai) Co., Ltd. ("Progen")	The chairman of Progen is the same as chairman of Phihong

The Company's major transactions with the related parties are summarized as follows:

Cost of Sales - Purchases

Purchases from related parties for the six months ended June 30, 2012 and 2011 are summarized as follows:

	2012		2011	
	Amount	Percentage to Total Purchases	Amount	Percentage to Total Purchases
Shine Tech Ltd.	\$ 43,809	1	\$ 54,254	1
Progen	-	-	563	-
	<u>\$ 43,809</u>	<u>1</u>	<u>\$ 54,817</u>	<u>1</u>

There is no significant difference between related parties and unrelated parties for purchase price.

Accounts Payable

Accounts payable due to related parties as of June 30, 2012 and 2011 are summarized as follows:

	2012		2011	
	Amount	%	Amount	%
Shine Tech Ltd.	\$ 25,628	1	\$ 19,120	1
Xu Sheng	10	-	12	-
Progen	-	-	1,309	-
	<u>\$ 25,638</u>	<u>1</u>	<u>\$ 20,441</u>	<u>1</u>

Credit Guarantees

Related parties have guaranteed the payments of loans of Phihong as follows:

Related Parties	Nature	2012	2011
Peter Lin	Long-term debts	<u>\$ 200,000</u>	<u>\$ 200,000</u>

21. PLEDGED PROPERTIES

As of June 30, 2012 and 2011, Phihong offered the property, plant and equipment amounted to \$277,087 thousand and \$287,060 thousand as collateral for long term loan.

As of June 30, 2012 and 2011, the following assets of PHA, had been pledged to secure PHA's bank loans:

	2012	2011
Accounts receivable	\$ 496,384	\$ 967,205
Inventory	<u>409,665</u>	<u>1,110,848</u>
	<u>\$ 906,049</u>	<u>\$ 2,078,053</u>

22. COMMITMENTS AND CONTINGENCIES

Loan Guarantees

As of June 30, 2012, Phihong had guaranteed the US\$6,000 thousand loan of Phihong USA Corp. and American Ballast Corp.

23. OTHERS

For the six months ended June 30, 2012 and 2011, significant foreign currency financial assets and liabilities are as follows:

	2012			2011		
	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)	Foreign Currencies (In Thousands)	Exchange Rate (Note)	New Taiwan Dollars (In Thousands)
<u>Financial assets</u>						
Monetary items						
USD	\$ 109,453	29.9250	\$ 3,275,381	\$ 149,231	28.8900	\$ 4,311,284
JPY	356,736	0.3759	134,097	68,758	0.3568	24,533
RMB	57,918	4.7357	274,282	56,524	4.4640	252,323
HKD	3,577	3.8570	13,796	3,205	3.7110	11,894
<u>Financial liabilities</u>						
Monetary items						
USD	79,054	29.9250	2,365,691	117,055	28.8900	3,381,719
JPY	12,433	0.3759	4,674	7,724	0.3568	2,756
RMB	109,248	4.7357	517,366	89,842	4.4640	401,055
HKD	4,014	3.8570	15,482	23,989	3.7110	89,023

Note: Exchange rate represents the number of NT dollars for which one foreign currency could be exchanged.

24. OPERATING SEGMENTS

- a. The Company's power supply segment is the only one reportable segment. The power supply segment mainly engages in the manufacturing and selling of AC/DC power adapters, charger bases, and power supply modules for computers. The Company's other operating segments did not exceed the quantitative threshold so they are not disclosed as reportable segments. These segments mainly engage in manufacturing and selling of lighting supply and developing, manufacturing and selling monitors.

The Company adopted operating profits as the measurement threshold. There was no material inconsistency between the accounting policies of the operating segment and the accounting policies described in Note 2.

- b. The Company's operating segment information was as follows:

1)

	<u>Segment Revenues</u>		<u>Segment Profit</u>	
	<u>Six Months Ended June 30</u>	<u>Six Months Ended June 30</u>	<u>Six Months Ended June 30</u>	<u>Six Months Ended June 30</u>
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Power supply	\$ 5,382,684	\$ 7,224,923	\$ 361,387	\$ 1,187,923
Others	<u>392,742</u>	<u>375,289</u>	<u>(123,813)</u>	<u>(239,200)</u>
Income from continuing operations	<u>\$ 5,775,426</u>	<u>\$ 7,600,212</u>	237,574	948,723
Unappropriated amounts				
Selling expense			-	-
General and administrative expenses			-	-
Consolidated operating income			<u>237,574</u>	<u>948,723</u>
Interest income			9,349	5,794
Investment (loss) income recognized under equity method			(1,815)	23,557
Dividend income			2,285	4,550
Gain on disposal of investment			-	213,148
Gain on reversal of bad debts			20,519	-
Loss on disposal of property, plant and equipment			(16,069)	(8,732)
Foreign exchange losses, net			(29,865)	(19,682)
Interest expense			(1,966)	(2,127)
Impairment loss			-	(31,969)
Others income			62,491	53,306
Others expenses			<u>(7,628)</u>	<u>(24,838)</u>
Income before income tax			<u>\$ 274,875</u>	<u>\$ 1,161,730</u>

2) Segment assets and liabilities

	<u>June 30</u>	
	<u>2012</u>	<u>2011</u>
Operating segment assets	\$ 1,908,032	\$ 1,763,621
Others assets	<u>8,709,165</u>	<u>9,814,873</u>
	<u>\$ 10,617,197</u>	<u>\$ 11,578,494</u>
	2012	2011
Power supply liabilities	\$ 1,926,322	\$ 2,192,720
Others liabilities	<u>2,879,629</u>	<u>3,432,441</u>
	<u>\$ 4,805,951</u>	<u>\$ 5,625,161</u>