

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2012 AND 2011

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

Code	Assets	2012			2011			Code	Liabilities and shareholders' equity	2012			2011		
		RMB	NTD	%	RMB	NTD	%			RMB	NTD	%	RMB	NTD	%
	Current assets							Current liabilities							
1100	Cash	\$ 184,936	\$ 861,802	8	\$ 262,772	\$ 1,263,145	15	2100	Short-term loans	\$ 654,831	\$ 3,051,510	30	\$ 347,648	\$ 1,671,145	20
1310	Financial assets at fair value through profit or loss	48,082	224,062	2	41,266	198,366	2	2110	Short-term bills payable	38,628	180,000	2	20,800	100,000	1
1140	Notes receivable and Accounts receivable, net	334,570	1,559,097	15	288,498	1,386,810	16	2140	Notes payable and Accounts payable	64,658	301,303	3	59,184	284,498	3
1178	Other receivables	13,099	61,041	1	9,928	47,724	1	2160	Income tax payable	16,659	77,631	1	21,406	102,897	1
120X	Inventories, net	231,528	1,078,920	11	205,191	986,353	11	2170	Accrued expenses	51,885	241,786	2	46,514	223,592	3
1286	Deferred income tax assets - current	14,661	68,320	1	11,020	52,973	1	2270	Current portion of long-term liabilities	4,829	22,501	-	8,610	41,390	1
1298	Other current assets	16,219	75,580	1	17,104	82,219	1	2298	Other current liabilities	38,372	178,825	2	25,910	124,499	1
11XX	Total current assets	843,095	3,928,822	39	835,779	4,017,590	47	21XX	Total current liabilities	869,862	4,053,556	40	530,072	2,548,021	30
	Investments							2420	Long-term liabilities	50,622	235,891	2	53,746	258,394	3
1421	Investments accounted for by the equity method	61,532	286,739	3	-	-	-		Other liabilities						
	Property, plant and equipment Cost							2810	Accrued pension cost	6,904	32,173	-	21,305	102,415	1
1501	Land	34,327	159,957	1	33,271	159,957	2	2860	Deferred income tax liabilities - noncurrent	31,989	149,070	2	28,913	138,986	2
1521	Buildings	668,164	3,113,642	31	487,725	2,344,496	27	28XX	Total Other liabilities	38,893	181,243	2	50,218	241,401	3
1531	Machinery and equipment	418,548	1,950,433	19	301,551	1,449,557	17	2XXX	Total liabilities	959,377	4,470,690	44	634,036	3,047,816	36
1551	Transportation equipment	42,074	196,064	2	41,111	197,618	2		Shareholders' Equity						
1561	Office equipment and other	86,420	402,716	4	70,947	341,044	4		Parent's shareholders' equity						
15X1	Total cost	1,249,533	5,822,812	57	934,605	4,492,672	52	31XX	Common stock at par value of \$10 each; authorized and issued 150,000 thousand shares in 2012 and 2011	315,759	1,500,000	15	315,759	1,500,000	17
15X9	Less: Accumulated depreciation	(266,884)	(1,243,679)	(12)	(221,112)	(1,062,884)	(12)	32XX	Capital surplus	448,529	2,090,146	21	448,529	2,156,080	25
		982,649	4,579,133	45	713,493	3,429,788	40	3350	Unappropriated earnings	433,903	2,021,990	20	366,514	1,761,832	21
1670	Construction in progress and prepayments for equipment	225,182	1,049,348	10	177,425	852,882	10	3420	Cumulative translation adjustments	(10,108)	(75,669)	(1)	(14,447)	(51,567)	(1)
15XX	Total property, plant and equipment	1,207,831	5,628,481	55	890,918	4,282,670	50	3430	Net loss not recognized as pension cost	(611)	(2,849)	-	-	-	-
	Intangible assets							3610	Minority Interest	31,648	147,480	1	30,651	147,338	2
1750	Computer software	5,633	26,251	-	4,270	20,526	-	3XXX	Total shareholders' equity	1,219,120	5,681,098	56	1,147,006	5,513,683	64
1760	Goodwill	4,370	20,365	-	4,370	21,007	-		Total Liabilities and shareholders' equity	2,178,497	10,151,788	100	1,781,042	8,561,499	100
1770	Deferred pension cost	1,645	7,665	-	1,808	8,691	-								
1782	Land access	27,865	129,851	2	28,505	137,025	2								
17XX	Total intangible assets	39,513	184,132	2	38,953	187,249	2								
	Other assets														
1830	Deferred charges	20,781	96,841	1	11,336	54,490	1								
1860	Deferred income tax assets - noncurrent	5,474	25,509	-	3,798	18,257	-								
1880	Other Assets	271	1,264	-	258	1,243	-								
18XX	Total other assets	26,526	123,614	1	15,392	73,990	1								
1XXX	Total	\$ 2,178,497	\$ 10,151,788	100	\$ 1,781,042	\$ 8,561,499	100								

The Financial Statements have been audited by Deloitte Touche Tohmatsu Limited.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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

C o d e	2012			2011			
	RMB	NTD	%	RMB	NTD	%	
4110	Operating revenue	\$ 1,216,714	\$ 5,669,887	100	\$ 1,173,561	\$ 5,641,310	100
4170	Less : Sales returns and allowances	(408)	(1,900)	-	(625)	(3,006)	-
4100	Net sales	1,216,306	5,667,987	100	1,172,936	5,638,304	100
5000	Operating costs	(579,425)	(2,700,122)	(48)	(565,610)	(2,718,885)	(48)
5910	Gross profit	<u>636,881</u>	<u>2,967,865</u>	<u>52</u>	<u>607,326</u>	<u>2,919,419</u>	<u>52</u>
	Operating expenses						
6100	Selling expenses	(177,810)	(828,596)	(14)	(123,716)	(594,702)	(10)
6200	General and administrative expenses	(95,441)	(444,752)	(8)	(88,789)	(426,807)	(8)
6300	Research and development expenses	(38,309)	(178,520)	(3)	(23,756)	(114,194)	(2)
6000	Total operating expenses	(311,560)	(1,451,868)	(25)	(236,261)	(1,135,703)	(20)
6900	Operating income	<u>325,321</u>	<u>1,515,997</u>	<u>27</u>	<u>371,065</u>	<u>1,783,716</u>	<u>32</u>
	Non-operating income and gains						
7110	Interest income	1,897	8,840	-	1,031	4,956	-
7160	Exchange gain, net	4,141	19,296	-	7,633	36,694	1
7310	Valuation gain on financial assets, net	2,180	10,160	-	786	3,776	-
7480	Miscellaneous income	<u>7,599</u>	<u>35,407</u>	<u>1</u>	<u>4,727</u>	<u>22,722</u>	<u>-</u>
7100	Total non-operating income and gains	<u>15,817</u>	<u>73,703</u>	<u>1</u>	<u>14,177</u>	<u>68,148</u>	<u>1</u>
	Non-operating expenses and losses						
7510	Interest expense	(9,333)	(43,490)	(1)	(5,589)	(26,869)	(1)
7521	Investment loss recognized under equity method	(11)	(50)	-	-	-	-
7880	Miscellaneous expenses	(1,742)	(8,116)	-	(1,910)	(9,182)	-
7500	Total non-operating expenses and losses	(11,086)	(51,656)	(1)	(7,499)	(36,051)	(1)
7900	Income before income tax	330,052	1,538,044	27	377,743	1,815,813	32
8110	Income tax expense	(90,183)	(420,253)	(7)	(91,335)	(439,045)	(8)
9600	Consolidated net income	<u>\$ 239,869</u>	<u>\$ 1,117,791</u>	<u>20</u>	<u>\$ 286,408</u>	<u>\$ 1,376,768</u>	<u>24</u>
	Attributed to						
9601	Shareholders of the parent	\$ 236,889	\$ 1,103,905	20	\$ 280,871	\$ 1,350,146	24
9602	Minority interests	<u>2,980</u>	<u>13,886</u>	<u>-</u>	<u>5,537</u>	<u>26,622</u>	<u>-</u>
		<u>\$ 239,869</u>	<u>\$ 1,117,791</u>	<u>20</u>	<u>\$ 286,408</u>	<u>\$ 1,376,768</u>	<u>24</u>
		<u>Before Income Tax</u>	<u>After Income Tax</u>		<u>Before Income Tax</u>	<u>After Income Tax</u>	
		<u>RMB</u>	<u>NTD</u>		<u>RMB</u>	<u>NTD</u>	
	Earnings per share						
9750	Basic	<u>\$ 2.18</u>	<u>\$10.14</u>	<u>\$ 1.58</u>	<u>\$ 7.36</u>	<u>\$ 2.47</u>	<u>\$11.88</u>
9850	Diluted	<u>\$ 2.17</u>	<u>\$10.13</u>	<u>\$ 1.58</u>	<u>\$ 7.35</u>	<u>\$ 2.47</u>	<u>\$11.86</u>
		<u>\$ 1.87</u>	<u>\$ 9.00</u>	<u>\$ 1.87</u>	<u>\$ 8.98</u>		

The Financial Statements have been audited by Deloitte Touche Tohmatsu Limited.

AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 and 2011

(In Thousands of Chinese Yuan and New Taiwan Dollars)

	Common stock		Capital surplus		Retained Earnings		Cumulative translation adjustments		Net loss not recognized as pension cost		Minority Interest		Total shareholders' equity	
	RMB	NTD	RMB	NTD	RMB	NTD	RMB	NTD	RMB	NTD	RMB	NTD	RMB	NTD
BALANCE, JANUARY 1, 2011	\$ 315,759	\$ 1,500,000	\$ 448,529	\$ 1,991,694	\$ 235,643	\$ 1,046,373	(\$ 6,569)	(\$ 127,043)	\$ -	\$ -	\$ 27,490	\$ 122,071	\$ 1,020,852	\$ 4,533,095
Cash dividends	-	-	-	-	(150,000)	(721,050)	-	-	-	-	-	-	(150,000)	(721,050)
Net income for the year ended December 31, 2011	-	-	-	-	280,871	1,350,146	-	-	-	-	5,537	26,622	286,408	1,376,768
Change in translation adjustments	-	-	-	164,386	-	86,363	(7,878)	75,476	-	-	(2,376)	(1,355)	(10,254)	324,870
BALANCE, DECEMBER 31, 2011	315,759	1,500,000	448,529	2,156,080	366,514	1,761,832	(14,447)	(51,567)	-	-	30,651	147,338	1,147,006	5,513,683
Cash dividends	-	-	-	-	(169,500)	(795,000)	-	-	-	-	-	-	(169,500)	(795,000)
Net income for the year ended December 31, 2012	-	-	-	-	236,889	1,103,905	-	-	-	-	2,980	13,886	239,869	1,117,791
Changes in minority interests	-	-	-	-	-	-	-	-	-	-	(2,947)	(13,857)	(2,947)	(13,857)
Change in translation adjustments	-	-	-	(65,934)	-	(48,747)	4,339	(24,102)	-	-	964	113	5,303	(138,670)
Change in net loss not recognized as pension cost	-	-	-	-	-	-	-	-	(611)	(2,849)	-	-	(611)	(2,849)
BALANCE, DECEMBER 31, 2012	\$ 315,759	\$ 1,500,000	\$ 448,529	\$ 2,090,146	\$ 433,903	\$ 2,021,990	(\$ 10,108)	(\$ 75,669)	(\$ 611)	(\$ 2,849)	\$ 31,648	\$ 147,480	\$ 1,219,120	\$ 5,681,098

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AIRTAC INTERNATIONAL GROUP AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011 (In Thousands of Chinese Yuan and New Taiwan Dollars)

	2012		2011	
	RMB	NTD	RMB	NTD
Cash flows from operating activities				
Net income	\$ 239,869	\$ 1,117,791	\$ 286,408	\$ 1,376,768
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation	61,250	285,425	49,886	239,805
Amortization	9,608	44,777	5,653	27,177
Provision for doubtful accounts	3,286	15,312	2,782	13,375
Provision for recovery of inventories	(436)	(2,030)	(179)	(858)
Investment loss recognized under equity method	11	50	-	-
Loss on disposal of property, plant and equipment	1,383	6,444	1,265	6,081
Valuation gain on financial instruments	(2,180)	(10,160)	(786)	(3,776)
Deferred income tax	11,455	53,383	463	2,227
Accrued pension cost	(14,849)	(69,198)	(158)	(760)
Changes in operating assets and liabilities:				
Accounts receivable and Notes receivable	(48,476)	(225,898)	(65,838)	(316,483)
Other receivables	(3,171)	(14,777)	2,426	11,662
Inventory	(25,259)	(117,707)	(47,722)	(229,400)
Other current assets	885	4,124	(5,162)	(24,814)
Accounts payable and Notes payable	5,474	25,509	1,942	9,335
Income tax payable	(4,841)	(22,559)	5,189	24,944
Accrued expenses	5,371	25,029	(14,315)	(68,812)
Other current liabilities	(12,501)	(58,255)	7,844	37,706
Net cash provided by operating activities	<u>226,879</u>	<u>1,057,260</u>	<u>229,698</u>	<u>1,104,177</u>
Cash flows from investing activities				
Acquisition of financial assets designated as at fair value through profit or loss	(420,000)	(1,957,200)	(162,530)	(781,282)

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	2012		2011	
	RMB	NTD	RMB	NTD
Proceeds from disposal of financial assets designated as at fair value through profit or loss	415,364	1,935,596	122,050	586,694
Acquisition of investments accounted for by equity method	(61,485)	(286,520)	-	-
Acquisition of property, plant and equipment	(367,670)	(1,713,342)	(325,099)	(1,562,751)
Proceeds from disposal of property, plant and equipment	5,670	26,422	1,975	9,494
Increase in Intangible assets and other assets	(19,780)	(92,175)	(22,926)	(110,205)
Net cash used in investing activities	(447,901)	(2,087,219)	(386,530)	(1,858,050)
Cash flows from financing activities				
Increase in short-term loans	309,190	1,440,825	206,533	992,804
Repayment of long-term debt	(8,732)	(40,691)	(97,662)	(469,461)
Increase in short-term bills payable	17,080	79,593	20,800	100,000
Cash dividends	(169,500)	(795,000)	(150,000)	(721,050)
Cash dividends to minority interests	(2,947)	(13,857)	-	-
Net cash provided by (used in) financing activities	145,091	670,870	(20,329)	(97,707)
Effect of exchange rate changes	(1,905)	(42,254)	8,728	199,959
Net decrease in cash and cash equivalents	(77,836)	(401,343)	(168,433)	(651,621)
Cash and cash equivalents, beginning of year	262,772	1,263,145	431,205	1,914,766
Cash and cash equivalents, end of year	\$ 184,936	\$ 861,802	\$ 262,772	\$ 1,263,145
Supplemental cash flow information				
Interest paid (excluding capitalized interest)	\$ 9,481	\$ 44,181	\$ 5,584	\$ 26,842
Income tax paid	\$ 83,642	\$ 389,772	\$ 72,832	\$ 350,103
Non-cash investing and financing activities				
Current portion of long-term liabilities	\$ 4,829	\$ 22,501	\$ 8,610	\$ 41,390

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