

  
**Nankang Tire Co., Ltd.**  
**the 2012 Shareholders' Regular Meeting**

Convening method: Entity shareholders meeting

day Date : 9:00 a.m. on May 24 ( Wednesday ) , 2012 .

land Location: Xinfeng Factory of our company (No. 399, Xinxing Road, N.T. dollarsshan Village, Xinfeng Township, Hsinchu County).

Number of shares attended: The total number of shares represented by shareholders and proxy representatives present is 457,552,132 shares ( including 54,915,278 shares that exercise voting rights electronically ) , accounting for 54.86 % of the total number of 833,934,904 issued shares of the company .

Attending directors : Chairman Guo Linliang , Director Chen Hengkuan , Director Huang Jiaying, Independent Director Wu Siyi , Independent Director Chen Mengxiu, Independent Director Xu Miaoqing attended the meeting, more than half of the nine directors .

host Seat: Chairman Guo Linliang



Attending : Zhengfeng United Accounting Firm - Zhou Yinlai Accountant  
Ganlu Law Firm - Attorney Jiang Mengzhen

Supervisors of the company: Audit Team - Section Chief Xu Wenbin, Design Department - Assistant Manager Wu N.T.

dollarssheng, Project Office - Manager Hong Yizhi, Manager Cao Shuwen, Finance Department - Assistant Manager Guo Meihang, Manager Wang Zhongzheng of the Management Department, Xinfeng Factory - Deputy Director Xu Zhelong

Record: Chen Yinfeng



Announcing the meeting: The general meeting reports that the total number of shares attended has reached the statutory amount, and the meeting is announced according to law.

壹、Chairman's speech: (omitted).

貳、Reporting matters:

一、111 Annual Business Status Report. ( Appendix 1 for details )

Proceedings: No questions from shareholders.

二、111 Annual Audit Committee Inspection Report . (Appendix 2 for details)

Proceedings: No questions from shareholders.

三、111 Report on capital loans to others and endorsement guarantees . (Appendix 3 for details)

Proceedings: No questions from shareholders.

四、111 Annual Report on Directors' Remuneration. ( Appendix 4 for details )

Proceedings: No questions from shareholders.

### 参、Acknowledgments:

first case

case By: Acknowledgment of the company's 111 annual financial statements ( proposed by the board of directors )

explain bright:

- 一、The company's 2011 financial statements (individual and consolidated financial statements), including: balance sheet, comprehensive profit and loss statement, statement of equity changes, and cash flow statement, have been audited and approved by accountants Wu Xinliang and Zheng Xianxiu of Zhengfeng United Accounting Firm .
- 二、Please refer to Annex V and Annex VI for 2011 individual accountant and consolidated audit reports and financial statements ( individual and consolidated financial statements ) .

Proceedings: No questions from shareholders.

Resolution: This motion was passed after voting.

The voting results are as follows:

Voting rights at the time of voting	Weight of approval	Opposition weight	abstentions /non-voting rights	invalid weight
457, 552, 132 rights	450, 857, 961 rights	635, 674 rights	6, 058, 497 rights	0 right
100.00%	98. 53 %	0 . 13 %	1. 32 %	0.00%

second case

case By: Recognition of the company's 111 year loss supplement proposal ( proposed by the board of directors )

explain Note: The company's 111 year loss compensation table is as follows :

Nankang Tire Co., Ltd.  
Loss Allowance Table  
111 years

unit: N.T. dollars

Opening undistributed surplus	0
Less: net loss after tax for the period	(1,023,581,910)
Add: 111 year to determine the employee benefit actuarial plan (loss) gain	23,324,345
Add: Changes in affiliated enterprises and joint ventures recognized using the equity method	<u>166,401</u>
Losses to be made up for the year	(1,000,091,164)



Chairman : Manager: Account



Account



Proceedings : No questions from shareholders .

Resolution: This motion was passed after voting.

The voting results are as follows:

Voting rights at the time of voting	Weight of approval	Opposition weight	abstentions /non-voting rights	invalid weight
457,552,132 rights	450,839,150 rights	652,235 rights	6,060,747 rights	0 right
100.00%	98.53%	0.14%	1.32%	0.00%

肆、Temporary Motions: None.

Proceedings: No questions from shareholders.

伍、Dismissal (09:14 on the same day)

The minutes of this shareholder meeting only set out the gist of the meeting, and only the results of the proposals; the content, procedures and shareholder speeches of the meeting are still subject to the audio and video of the meeting.

## 111 Annual Business Overview Report

### 1. Consolidated production and sales report:

(1) Consolidated production: the actual production volume in 2011 was 5,867,000 pieces, a decrease of 15% compared with 6,975,000 pieces in the same period of the previous year. In 1989, the output value was NT\$6,428,402,000, a decrease of 3% compared with NT\$6,651,285,000 in the same period last year. Three five.

(2) Combined sales:

Domestic sales: The sales amount in 2011 was NT\$834,771,000, an increase of 29% compared with NT\$645,892,000 in the same period last year. twenty four.

Export sales: The sales amount in 111 was NT\$6,577,463,000, a decrease of 11% compared with NT\$7,431,699,000 in the same period last year. Forty nine.

Total: The amount of domestic and export sales in 2011 was NT\$7,412,234,000, a decrease of 8% compared with NT\$8,077,591,000 in the same period last year. twenty four.

### 2. Condensed Financial Information Report:

Unit: thousand N.T. dollars

project	Individual-111		Merger-111	
	the amount	%	the amount	%
operating income	3,830,570	100	7,412,234	100
operating profit	424,272	11	1,074,364	14
Operating expenses	(827,266)	(twenty two)	(1,483,676)	(20)
Operating profit (loss)	(402,994)	(11)	(409,312)	(6)
Net profit before tax (net loss)	(1,078,239)	(28)	(1,070,467)	(15)
Income tax benefit (fee)	54,657	1	46,885	1
Net profit after tax (net loss)	(1,023,582)	(27)	(1,023,582)	(14)
Earnings (loss) per share	(1.23) N.T. dollars	-	(1.23) N.T. dollars	-
total assets	20,464,234	-	37,316,230	-
total liabilities	10,153,057	-	27,005,053	-
Total shareholders' equity	10,311,177	-	10,311,177	-

**Audit Committee Review Report**

The board of directors submitted the 111 annual business report, financial statements (including individual and consolidated financial statements) and loss compensation proposals, of which the financial statements (including individual and consolidated financial statements) have been audited by Wu Xinliang and Zheng Xianxiu of Zhengfeng United Accounting Firm, and issue a verification report. The above-mentioned business report, financial statement and loss compensation proposal have been checked by the Audit Committee and found to be inconsistency, and this report is issued in accordance with the relevant laws and regulations.

please

Appraisal

above

112th Annual General Meeting of Shareholders of the Company

Nankang Tire Co., Ltd.

Convener of Audit

Committee : Wu Siyi

A handwritten signature in blue ink, appearing to be '吴思懿' (Wu Siyi), written in a cursive style.

March 29 , 112, Republic of China

**【Appendix 3】**

**2011 Report on Capital Loans to Others and Endorsement Guarantees**

Explanation: The summary report on the implementation of capital loans to others and endorsement guarantees in 2011 is as follows ( including subsidiaries ) :

(1) Fund loan and schedule:

Unit: thousand N.T. dollars

Fund loan and company	loan object	Funding Loans and Balances		Actual movement		Fund loan reason	Remark
		This period maximum amount	end of period balance	This period maximum amount	end of period balance		
Nankang International (Shares) company	Nankang Tire Co. , Ltd. company	805,375	460,650	460,650	460,650	operating turnover, Investment and financial management	
Nam Wing Development & Construction Co., Ltd. company	Nankang Tire Co. , Ltd. company	700,000	0	600,000	0	Operating turnover	
<b>Total subsidiaries</b>			<b>460,650</b>		<b>460,650</b>		

Note:

- (1) The company's maximum external capital loan amount is 4,124,471 thousand N.T. dollars.
- (2) Subsidiary Nankang International Co., Ltd. has a capital loan of USD15,000,000 to the company at the end of the period, and the actual payment amount is USD15,000,000.



## (2)Endorsement Guarantee Schedule:

Unit: thousand N.T. dollars

endorsement guarantee company	Endorsement Guarantee _	Endorsement Guarantee Amount		Actual movement		Remark
		This period maximum amount	end of period balance	This period maximum amount	end of period balance	
Nankang Tire Co. , Ltd. company	Nankang International (Shares) company	647,712	647,712	613,000	613,000	
Nankang Tire Co. , Ltd. company	Nam Young Development & Construction Co., Ltd.	450,000	450,000	450,000	450,000	
Nankang Tire Co. , Ltd. company	Zhikai Development Co., Ltd. company	33,350	33,350	33,350	33,350	
Nankang Tire Co. , Ltd. company	co. , ltd.	16,650	16,650	16,650	16,650	
<b>Total of the company</b>			<b>1,147,712</b>		<b>1,113,000</b>	
Nam Young Development & Construction Co. , Ltd.	Nankang Tire Co. , Ltd. company	7,000,000	7,000,000	7,000,000	7,000,000	
<b>Total subsidiaries</b>			<b>7,000,000</b>		<b>7,000,000</b>	

Note: The company's maximum external endorsement guarantee amount is 10,311,177 thousand N.T. dollars.

## Remuneration received by directors (including independent directors) in 2011

職稱	姓名	董事酬金								A、B、C及D等四項總額占稅後淨損之比例(註10)				兼任員工領取相關酬金								A、B、C、D、E、F及G等七項總額占稅後淨損之比例(註10)	領取來自子公司以外轉投資事業或母公司酬金(註11)
		報酬(A)(註2)		退職退休金(B)		董事酬勞(C)(註3)		業務執行費用(D)(註4)		薪資、獎金及特支費等(E)(註5)		退職退休金(F)		員工酬勞(G)(註6)									
		本公司	財務報告內所有公司(註7)	本公司	財務報告內所有公司(註7)	本公司	財務報告內所有公司(註7)	本公司	財務報告內所有公司(註7)	本公司	財務報告內所有公司(註7)	本公司	財務報告內所有公司(註7)	本公司	財務報告內所有公司(註7)	本公司		財務報告內所有公司(註7)		本公司	財務報告內所有公司(註7)		
																現金金額	股票金額	現金金額	股票金額				
董事長	詮擘投資(股)公司 代表人：郭林諒	240,000	240,000	-	-	-	-	42,000	42,000	0.03%	0.03%	2,773,444	2,773,444	-	-	-	-	-	-	0.30%	0.30%	無	
董事長	詮擘投資(股)公司 代表人：趙國帥	100,000	100,000	-	-	-	-	18,000	18,000	0.01%	0.01%	612,235	612,235	39,510	39,510	-	-	-	-	0.08%	0.08%	無	
董事	詮擘投資(股)公司 代表人：詹彩雲	24,667	24,667	-	-	-	-	-	-	0.00%	0.00%	372,329	372,329	2,100	2,100	-	-	-	-	0.04%	0.04%	無	
董事	詮擘投資(股)公司 代表人：林君穎	240,000	240,000	-	-	-	-	36,000	36,000	0.03%	0.03%	1,563,766	1,563,766	63,072	63,072	-	-	-	-	0.19%	0.19%	無	
董事	詮擘投資(股)公司 代表人：陳恒寬	154,082	154,082	-	-	-	-	24,000	24,000	0.02%	0.02%	-	-	-	-	-	-	-	-	0.02%	0.02%	無	
董事	詮擘投資(股)公司 代表人：黃佳盈	154,082	154,082	-	-	-	-	24,000	24,000	0.02%	0.02%	-	-	-	-	-	-	-	-	0.02%	0.02%	無	
董事	詮擘投資(股)公司 代表人：江慶興	92,000	92,000	-	-	-	-	18,000	18,000	0.01%	0.01%	246,845	246,845	9,624	9,624	-	-	-	-	0.04%	0.04%	無	
董事	詮擘投資(股)公司 代表人：郭勝文	92,000	92,000	-	-	-	-	-	-	0.01%	0.01%	1,100,925	1,100,925	42,750	42,750	-	-	-	-	0.12%	0.12%	無	
董事	崇神開發實業(股)公司 代表人：侯嘉騏	154,082	154,082	-	-	-	-	12,000	12,000	0.02%	0.02%	-	-	-	-	-	-	-	-	0.02%	0.02%	無	
董事	崇神開發實業(股)公司 代表人：黃銘祐	239,582	239,582	-	-	-	-	42,000	42,000	0.03%	0.03%	-	-	-	-	-	-	-	-	0.03%	0.03%	無	
董事	崇神開發實業(股)公司 代表人：陳學聖	-	-	-	-	-	-	-	-	0.00%	0.00%	-	-	-	-	-	-	-	-	0.00%	0.00%	無	
獨立董事	吳思儀	663,493	663,493	-	-	-	-	42,000	42,000	0.07%	0.07%	-	-	-	-	-	-	-	-	0.07%	0.07%	無	
獨立董事	陳孟秀	378,082	378,082	-	-	-	-	24,000	24,000	0.04%	0.04%	-	-	-	-	-	-	-	-	0.04%	0.04%	無	
獨立董事	許妙靜	378,082	378,082	-	-	-	-	24,000	24,000	0.04%	0.04%	-	-	-	-	-	-	-	-	0.04%	0.04%	無	
獨立董事	鄭惠蓉	285,745	285,745	-	-	-	-	18,000	18,000	0.03%	0.03%	-	-	-	-	-	-	-	-	0.03%	0.03%	無	
獨立董事	陳珠雀	89,745	89,745	-	-	-	-	18,000	18,000	0.01%	0.01%	-	-	-	-	-	-	-	-	0.01%	0.01%	無	

一、請敘明獨立董事酬金給付政策、制度、標準與結構，並依所擔負之職責、風險、投入時間等因素敘明與給付酬金數額之關聯性；依本公司章程第十五條之一，全體董事之報酬，不論盈虧均支給之，董事長報酬上限不得超過總經理薪資1.5倍，副董事長報酬上限不得超過總經理薪資1倍，其餘董事報酬依同業水準支給之，惟獨立董事報酬得略高於非獨立董事報酬，本公司並為董事購買責任保險以降低董事因依法執行職務致被股東或其他關係人控訴之風險。

二、除上表揭露外，最近年度公司董事為財務報告內所有公司提供服務(如擔任非屬員工之顧問等)領取之酬金：

1.獨立董事吳思儀兼任審計及薪酬委員，酬金142仟元。 4.獨立董事鄭惠蓉兼任審計及薪酬委員，酬金56仟元。  
2.獨立董事陳孟秀兼任審計及薪酬委員，酬金86.7仟元。 5.獨立董事陳珠雀兼任審計及薪酬委員，酬金56仟元。  
3.獨立董事許妙靜兼任審計及薪酬委員，酬金86.7仟元。

## Accountant audit report

NO. 00031110CA

Nankang Tire Co., Ltd. Gongjian:

### Check opinion

Consolidated balance sheets of Nankang Tire Co., Ltd. and its subsidiaries on December 31, 2011 and December 31, 2010, and from January 1 to December 31, 2011 and January 1, 2010 The consolidated income statement, the consolidated statement of changes in equity, the consolidated cash flow statement, and the notes to the consolidated financial report (including a summary of major accounting policies) for the period from December 31 to December 31 have been reviewed by our accountants.

According to the opinion of the accountant, the above-mentioned consolidated financial report is prepared in all material aspects in accordance with the Financial Reporting Standards for Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretation Announcements approved and issued by the Financial Supervisory Commission. It is sufficient to express the consolidated financial status of Nankang Tire Co., Ltd. and its subsidiaries on December 31, 2011 and December 31, 2010, and from January 1 to December 31, 2011 and 1 Consolidated financial performance and consolidated cash flow from 1st December to 31st December.

### Basis of Audit Opinion

The accounting department performs the audit work in accordance with the accounting audit and certification financial statement rules and auditing standards. The accountant's responsibilities under these standards will be further explained in the section of the accountant's responsibility for checking the consolidated financial report. The personnel of the accounting firm affiliated to the independence standard have maintained detached independence from Nankang Tire Co., Ltd. and its subsidiaries in accordance with the code of professional ethics for accountants, and have fulfilled other responsibilities of the code. The accountants believe that they have obtained sufficient and appropriate audit evidence as a basis for expressing their audit opinion.

### Key check items

Key audit items refer to the most important items in the audit of the 2011 consolidated financial report of Nankang Tire Co., Ltd.

and its subsidiaries according to the professional judgment of the accountant. These matters have been dealt with in the process of checking the consolidated financial report as a whole and forming an audit opinion, and the accountant does not express independent opinions on these matters.

The key inspection items of the 2011 consolidated financial report of Nankang Tire Co., Ltd. and its subsidiaries are described as follows:

#### Inventory evaluation

The combined inventory of Nankang Tire Co., Ltd. and its subsidiaries is 17,836,391 thousand N.T. dollars, accounting for 48% of the total assets, including 1,627,797 thousand N.T. dollars of inventory for tire manufacturing and 16,208,594 thousand N.T. dollars of construction in progress. For the inventory accounting policy, please refer to Note 4 (XI) of the consolidated financial report.

The inventory of Nankang Tire Co., Ltd. and its subsidiaries is measured by cost and net realizable value. The profit of the tire industry is affected by price fluctuations of the main material natural rubber and uncertain factors in the external economic environment, which may cause drastic fluctuations in inventory costs and product prices. There is a higher risk that the net realizable value of inventories is lower than the book value and sluggish. In addition, the construction department of the subsidiary is still under development, and the amount of construction in progress accounts for 91% of the consolidated inventory, which affects the decline in the turnover rate of the consolidated inventory. Since the assessment of the net realizable value of the inventory is related to major judgments and estimates, and the amount of the inventory is significant to the consolidated report, Therefore, the accountant believes that the inventory evaluation of Nankang Tire Co., Ltd. and its subsidiaries is one of the most important matters in this year's audit.

Our accountant mainly responds to the above-mentioned key audit items and the audit procedures are as follows:

1. Assess the rationality of the merged company's inventory evaluation and sluggish product listing depreciation policy.
2. Sampling and calculation of the consolidated company's inventory evaluation basis data to confirm the rationality of the net realizable value.

3. Evaluate the inventory status through the annual inventory and inventory age analysis table, and confirm the completeness of the depreciation of the sluggish inventory of the merged company.
4. For the investment in the construction in progress, check the relevant costs and confirm the appropriate attribution and classification, and understand the progress of the project and the rationality of the project investment. And evaluate the rationality of no impairment of the book value of the land under construction and the project.

#### Impairment of property, plant and equipment

Nankang Tire Co., Ltd. and its subsidiaries on December 31, 2011, the real estate, plant and equipment amounted to 7,863,473 thousand N.T. dollars, accounting for 21% of the total assets. For the accounting policy of non-financial asset impairment, please refer to the consolidated financial report Note 4 (X eight).

The management of Nankang Tire Co., Ltd. and its subsidiaries regularly assess whether there are signs of impairment of real estate, plant and equipment. Since the assessment of impairment measures the recoverable amount of each cash-generating unit, many assumptions and estimates are involved, and the estimation method directly affects the measurement of the recoverable amount. The results may change, and the amount of real estate, plant and equipment is significant to the consolidated report. Therefore, the accountant believes that the assessment of the impairment of real estate, plant and equipment of Nankang Tire Co., Ltd. and its subsidiaries is one of the most important matters in this year's audit.

Our accountant mainly responds to the above-mentioned key audit items and the audit procedures are as follows:

1. Understand, analyze and evaluate the rationality of the cash-generating units identified by the management of Nankang Tire Co., Ltd. and its subsidiaries with no signs of impairment.
2. Evaluate and analyze various hypothetical data for impairment testing, including cash flow forecast, discount rate, etc., and confirm the appropriateness of various hypothetical data.

#### **something else**

Nankang Tire Co., Ltd. has prepared the individual financial reports for the 2011 and 2011 years of the Republic of China, and the audit report issued by our accountant with unqualified opinions is on file for reference.

#### **Responsibilities of management and governing units for consolidated financial reporting**

The responsibility of the management is to prepare a consolidated financial report with a reasonable expression in accordance with the Financial Reporting Standards for Securities Issuers and the International Financial Reporting Standards, International Accounting Standards, Interpretations and Interpretations approved and issued by the Financial Supervisory Commission, and to maintain and consolidate financial reports. Necessary internal controls related to report preparation to ensure that there is no material misrepresentation in the consolidated financial report due to fraud or error.

When preparing the consolidated financial report, the responsibility of the management also includes evaluating the ability of Nankang Tire Co., Ltd. and its subsidiaries to continue operating, the disclosure of related matters, and the adoption of the accounting basis for continuing operations, unless the management intends to liquidate Nankang Tire Co., Ltd. The company and its subsidiaries may cease to operate, or there is no practical alternative to liquidation or closure.

The governance units (including the audit committee) of Nankang Tire Co., Ltd. and its subsidiaries are responsible for supervising the financial reporting process.

### **Responsibilities of Accountants to Check Consolidated Financial Reports**

The purpose of the accountant's review of the consolidated financial report is to obtain reasonable confidence as to whether there is any material misrepresentation in the consolidated financial report as a whole due to fraud or error, and to issue a review report. Reasonable certainty is a high degree of certainty, but there is no guarantee that the audit work performed in accordance with the auditing standards will be able to detect material misrepresentations in the consolidated financial statements. Misrepresentation may result from fraud or error. Misrepresentation of individual amounts or aggregated amounts is considered material if it can reasonably be expected to affect economic decisions made by users of consolidated financial statements.

The accountant uses professional judgment and professional skepticism when auditing in accordance with the auditing standards. The accountant also performs the following tasks:

1. Identify and assess the risk of material misrepresentation of the consolidated financial report due to fraud or error; design and implement appropriate countermeasures for the assessed risks; and obtain sufficient and appropriate audit evidence as the basis

for audit opinions. Because fraud may involve collusion, forgery, willful omissions, misrepresentations, or the override of internal controls, the risk of undetected material misrepresentation resulting from fraud is higher than that resulting from error.

2. Obtain the necessary understanding of the internal control related to the audit in order to design an appropriate audit procedure under the circumstances, but the purpose is not to express an opinion on the effectiveness of the internal control of Nankang Tire Co., Ltd. and its subsidiaries.
3. Evaluate the appropriateness of the accounting policies adopted by the management, and the rationality of the accounting estimates and related disclosures made.
4. Based on the audit evidence obtained, whether there is a major uncertainty about the appropriateness of the management to adopt the going-concern accounting basis and the events or circumstances that may cause major doubts about the ability of Nankang Tire Co., Ltd. and its subsidiaries to continue operating, draw conclusions. If the accountant believes that there are major uncertainties in such events or situations, he must remind the users of the consolidated financial report to pay attention to the relevant disclosures in the consolidated financial report in the audit report, or revise the audit opinion when the disclosure is inappropriate. The accountant's conclusion is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause Nankang Tire Co., Ltd. and its subsidiaries to no longer have the ability to continue operating.
5. Assess the overall expression, structure and content of the consolidated financial report (including relevant notes), and whether the consolidated financial report is appropriate to express relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence for the financial information of Nankang Tire Co., Ltd. and its subsidiaries to express opinions on the consolidated financial report. The accountant is responsible for the guidance, supervision and implementation of the group audit case, and is responsible for forming the group audit opinion.

The matters communicated by the accountant with the governing unit include the planned scope and time of the audit, as well as major audit findings (including significant deficiencies in internal control identified during the audit).

The accountant also provides the governance unit with the statement that the personnel of the accounting firm that is subject to independence regulations have complied with the statement of independence in the code of professional ethics for accountants, and communicates with the governance unit all relationships that may be considered to affect the independence of the accountant and other matters. matters (including relevant protective measures).

From the matters communicated with the management unit, the accountant decided the key audit items for the audit of the 2011 consolidated financial report of Nankang Tire Co., Ltd. and its subsidiaries. The accountant states these matters in the audit report, unless the law does not allow public disclosure of specific matters, or in extremely rare circumstances, the accountant decides not to communicate specific matters in the audit report, because the communication can reasonably be expected The negative impact outweighs the public interest promoted.

Z h e n g f e n g  
A c c o u n t i n g F i r m



U n i t e d

Accountant:

吳欣亮



Wu Xinliang

Accountant:

鄭憲修



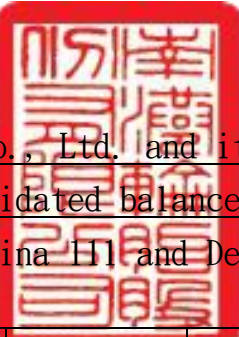
Zheng Xianxiu

Approval number: Jinguanzheng Liuzi No.  
09600000880

Financial Management Certificate No.  
0930146900

March 29 , 2011 \_ \_ \_ \_



  
Nankang Tire Co., Ltd. and its subsidiaries  
consolidated balance sheet  
 Republic of China 111 and December 31, 110

Unit: NT\$ thousand

assets		attached Note	December 31 , 111 _		December 31, 110	
the code	accounting items		the amount	%	the amount	%
11xx	current assets					
1100	Cash and cash equivalents	six	\$ 1,413,760	4	\$ 3,238,003	9
1110	Financial assets at fair value through profit or loss - current	seven	101,370	-	220,311	1
1150	Net notes receivable	eight	321,871	1	432,066	1
1170	net accounts receivable	eight	883,865	2	1,469,825	4
1200	other receivables		28,466	-	51,726	-
1220	Current income tax assets		670	-	19,418	-
130x	stock	Nine	17,836,391	48	13,581,140	36
1410	Prepayments		606,830	2	453,167	1
147 6	other financial assets	ten	1,890,288	5	2,806,071	8
1479	other current assets	eleven	1,369,776	4	1,209,766	3
	Total Current Assets		24,453,287	66	23,481,493	63
15xx	Non-current assets					
1550	Investments using the equity method	twelve	4,218,569	11	4,851,354	13
1600	Property, plant and equipment	Thirteen	7,863,473	twenty one	8,318,961	twenty two
1755	right-of-use asset	fourteen	201,388	1	194,283	1
1760	Net investment real estate	fifteen	331,289	1	331,318	1
1780	intangible assets		2,081	-	2,284	-
1840	Deferred tax assets	twenty six	108,532	-	36,049	-
1915	prepaid equipment		72,607	-	52,293	-

1920	Refundable deposits		65,004	-	55,047	-
	Total non-current assets		12,862,943	34	13,841,589	37
1xxx	total assets		\$ 37,316,230	100	\$ 37,323,082	100

(The appended notes are part of this consolidated financial report)

Nankang Tire Co., Ltd. and its subsidiaries

Consolidated Balance Sheet (continued)

Republic of China 111 and December 31, 110

Unit: NT\$ thousand

Liabilities and equity		attached	December 31, 111		December 31, 110	
the code	accounting items	Note	the amount	%	the amount	%
21xx	Current liabilities					
2100	short-term loan	sixteen	\$ 7,462,289	20	\$ 8,868,901	twenty four
2110	short-term notes payable	seventeen	329,543	1	459,354	1
2130	contract liabilities	twenty four	7,681,427	20	6,568,177	18
2150	Notes payable		959	-	2,961	-
2170	accounts payable		257,469	1	533,572	1
2200	Other payables	eighteen	491,426	1	696,610	2
2230	Current income tax liabilities		41,731	-	152,510	-
2250	Provision for Liabilities - Current	nineteen	7,200	-	9,300	-
2280	Lease liabilities - current	fourteen	14,733	-	15,248	-
2320	Long-term liabilities due within one year	twenty	257,000	1	492,606	2
2399	Other current liabilities		32,603	-	79,424	-
	Total current liabilities		16,576,380	44	17,878,663	48
25xx	Non-current liabilities					
2540	Long term loan	twenty	9,587,436	26	7,336,435	20
2571	Deferred income tax liabilities - land appreciation tax	twenty six	733,196	2	733,196	2
2572	Deferred tax liabilities - non-current	twenty six	51,906	-	35,539	-
2580	Lease liabilities - non-current	fourteen	20,221	-	8,692	-
2640	Net defined benefit liabilities - noncurrent	twenty one	34,499	-	79,066	-
2670	Other non-current liabilities		1,415	-	2,106	-
	Total non-current liabilities		10,428,673	28	8,195,034	twenty two

2xxx	total liabilities		27,005,053	72	26,073,697	70
31xx	Equity attributable to owners of the parent company					
3100	share capital	twenty two (one)	8,339,349	twenty two	8,339,349	twenty two
3200	capital reserve	Twenty-two (two)	290,880	1	290,880	1
3300	retained earnings	Twenty-two (three)	1,479,446	4	2,479,537	7
3310	Statutory surplus reserve		176,641	-	388,893	1
3320	special surplus reserve		2,302,896	6	2,302,896	6
3350	undistributed surplus		(1,000,091)	(2)	(212,252)	-
3400	Other interests	Twenty-two (four)	201,502	1	139,619	-
3500	treasury stock	twenty three	-	-	-	-
	Total equity attributable to owners of the parent company		10,311,177	28	11,249,385	30
36xx	non-controlling interest		-	-	-	-
3xxx	total equity		10,311,177	28	11,249,385	30
	Total liabilities and equity		\$ 37,316,230	100	\$ 37,323,082	100

(The appended notes are part of this consolidated financial report)

Chairman:



Manager:

Acc



ervisor:



Nankang Tire Co., Ltd. and its subsidiaries  
Consolidated statement of comprehensive income

From January 1st to December 31st in the 111th and 110th years of the  
Republic of China

Unit: NT\$ thousand

the code	project	notes	111 years		110 years	
			the amount	%	the amount	%
4000	operating income	twenty four	\$ 7,412,234	100	\$ 8,077,591	100
5000	Operating cost	Nine	(6,337,724)	(86)	(6,748,804)	(84)
5900	operating profit		1,074,510	14	1,328,787	16
5910	Unrealized interests with affiliated enterprises	twenty nine	(285)	-	(139)	-
5920	Realized interests with affiliated enterprises	twenty nine	139	-	876	-
5950	Net Operating Profit		1,074,364	14	1,329,524	16
6000	Operating expenses					
6100	promotional expenses		(1,009,216)	(14)	(1,537,670)	(19)
6200	Management costs		(395,110)	(5)	(534,655)	(6)
6300	research and development costs		(76,583)	(1)	(108,078)	(1)
6450	Expected credit impairment (loss) interest		(2,767)	-	19,521	-
	Total operating expenses		(1,483,676)	(20)	(2,160,882)	(26)
6900	Operating profit (loss)		(409,312)	(6)	(831,358)	(10)
7000	Non-operating income and expenses					
7100	interest income		8,862	-	15,727	-
7010	Other income	twenty five (one)	49,809	1	26,585	-
7020	Other gains and losses	twenty five (two)	48,477	1	826,678	10
7050	Financial costs	twenty five (three)	(126,695)	(2)	(92,242)	(1)
7060	Profit and loss share of affiliated enterprises and joint ventures using the equity method	twelve	(641,608)	(9)	(164,800)	(2)
	Total non-operating income and expenses		(661,155)	(9)	611,948	7
7900	Net profit before tax (net loss)		(1,070,467)	(15)	(219,410)	(3)
7950	Income tax benefit (fee)	twenty six	46,885	1	(23,844)	-
8200	Net profit (net loss) for the period		(1,023,582)	(14)	(243,254)	(3)
8310	Other comprehensive income Items not reclassified to profit or loss:					
8311	Defined benefit plan remeasurements	twenty one	29,155	-	(5,481)	-
8321	Remeasurements of defined benefit plans for affiliated companies and joint ventures		167	-	11,946	-
8349	Income tax related to items not reclassified	twenty six	(5,831)	-	1,096	-
	Subtotal		23,491	-	7,561	-
8360	Subsequent items that may be reclassified to profit or loss:					
8361	Exchange difference on translation of financial statements of foreign operating institutions		53,080	1	(38,648)	(1)

8371	Exchange differences on the translation of financial statements of affiliated companies and joint venture foreign operating institutions		8,803	-		2,629	-
8399	Income tax (expense) benefit related to other comprehensive income components		-	-		-	-
	Subtotal		61,883	1		(36,019)	(1)
8300	Other comprehensive gains and losses for the period (net of tax)		85,374	1		(28,458)	(1)
8500	Total comprehensive profit and loss for the period		\$ (938,208)	(13)		\$ (271,712)	(4)
8600	Net profit attributable to:						
8610	parent company owner		\$ (1,023,582)	(14)		\$ (243,254)	(3)
8620	non-controlling interest		-	-		-	-
8700	Total comprehensive profit or loss is attributable to:						
8710	parent company owner		\$ (938,208)	(13)		\$ (271,712)	(4)
8720	non-controlling interest		-	-		-	-
	Earnings (loss) per share (N.T. dollars)	twenty seven					
9750	Basic earnings (loss) per share		\$ (1.23)			\$ (0.29)	
9850	Diluted earnings (loss) per share		\$ (1.23)			\$ (0.29)	

(The appended notes are part of this consolidated financial report)

Chairman:



Manager:

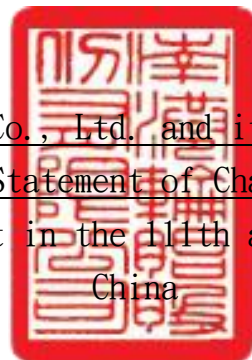


Accounting supervisor:



Nankang Tire Co., Ltd. and its subsidiaries  
Consolidated Statement of Changes in Equity

From January 1st to December 31st in the 111th and 110th years of the Republic of  
China



Unit: NT\$ thousand

project	Equity attributable to owners of the parent company								non-controlling interest	total equity	
	share capital	capital reserve	retained earnings			Other equity items		treasury stock			total
			Statutory surplus reserve	special surplus reserve	undistributed surplus	Exchange difference on translation of financial statements of foreign operating institutions					
Balance on January 1, 2011	\$ 8,339,349	\$ 18,970	\$ 348,586	\$ 2,302,896	\$ 545,097	\$ 175,638	\$ (943,229)	\$ 10,787,307	\$ -	\$ 10,787,307	
Surplus allocation and distribution:											
Provision of statutory surplus reserve	-	-	40,307	-	(40,307)	-	-	-	-	-	
common stock cash dividend	-	-	-	-	(481,349)	-	-	(481,349)	-	(481,349)	
Transfer of treasury shares to employees	-	271,910	-	-	-	-	943,229	1,215,139	-	1,215,139	
110 annual net profit (net loss)	-	-	-	-	(243,254)	-	-	(243,254)	-	(243,254)	

Other comprehensive income and loss for the year 110	-	-	-	-	7,561	(36,019)	-	(28,458)	-	(28,458)
Total comprehensive profit and loss for the period	-	-	-	-	(235,693)	(36,019)	-	(271,712)	-	(271,712)
Balance on December 31, 2011	8,339,349	290,880	388,893	2,302,896	(212,252)	139,619	-	11,249,385	-	11,249,385
Statutory surplus reserve to make up losses	-	-	(212,252)	-	212,252	-	-	-	-	-
111 year net profit (net loss)	-	-	-	-	(1,023,582)	-	-	(1,023,582)	-	(1,023,582)
Other comprehensive income and loss in 2011	-	-	-	-	23,491	61,883	-	85,374	-	85,374
Total comprehensive profit and loss for the period	-	-	-	-	(1,000,091)	61,883	-	(938,208)	-	(938,208)
Balance on December 31, 2011	\$ 8,339,349	\$ 290,880	\$ 176,641	\$ 2,302,896	\$ (1,000,091)	\$ 201,502	\$ -	\$ 10,311,177	\$ -	\$ 10,311,177

(The appended notes are part of this consolidated financial report)

Chairman:  
supervisor:



Manager:



Accounting



Nankang Tire Co., Ltd. and its subsidiaries

Consolidated Cash Flow Statement

From January 1st to December 31st in the 111th and 110th years  
of the Republic of China

Unit: NT\$ thousand

project	111 annual	110 annual
Cash flow from operating activities:		
Net profit (net loss) before tax for the period	\$ (1,070,467)	\$ (219,410)
Adjustment items :		
Income expense items :		
Depreciation expense	748,854	769,322
Amortization fee	359	375
Expected credit impairment loss (benefit)	2,767	(19,521)
(gain) on financial assets and liabilities at fair value through profit or loss	62,830	(889,619)
Interest expense	126,695	92,242
interest income	(8,862)	(15,727)
dividend income	(12,878)	(12,252)
Share-Based Benefit Compensation Cost	-	274,708
Profit and loss share of affiliated enterprises and joint ventures using the equity method	641,608	164,800
Disposal and retirement of real property, plant and equipment losses ( profits )	(18,016)	(4,430)
unrealized sales benefit	285	139
Realized sales benefit	(139)	(876)
other losses	-	418
Changes in assets/liabilities related to operating activities		
Notes receivable (increase) decrease	115,508	12,578
Notes receivable - Related parties (increase) decrease	(1,348)	(1,688)
Accounts receivable (increase) decrease	681,319	306,642
Accounts receivable - Related parties (increase) decrease	(32,065)	(899)
Other receivables (increase) decrease	24,138	42,444
Inventory (increase) decrease	(4,242,193)	(3,619,032)
Prepayment (increase) decrease	(134,388)	(180,021)
Other current assets (increase) decrease	6,692	(875)
Decrease in incremental cost (increase) to obtain a contract	(166,552)	(469,940)
Increase ( decrease ) in contract liabilities	1,111,356	1,245,932
( decrease ) in notes payable	(2,002)	(15,570)
Increase (decrease) in accounts payable	(278,688)	(16,671)
Accounts payable - increase (decrease) of related parties	(3,265)	3,265
Increase (decrease) in other payables	(228,569)	15,329
Increase (decrease) in liability provision	(2,100)	(800)
Increase (decrease) in other current liabilities	(48,135)	(1,393)



Increase (decrease) in net defined benefit liability	(15,412)	(17,261)
Cash inflows (outflows) from operations	(2,742,668)	(2,557,791)
interest charged	9,142	17,510
interest paid	(121,527)	(91,429)
Income tax refund (payment)	(106,856)	(230,242)
Net cash inflow ( outflow ) from operating activities	(2,961,909)	(2,861,952)

Nankang Tire Co., Ltd. and its subsidiaries  
Consolidated Statement of Cash Flows (continued)

From January 1st to December 31st in the 111th and 110th years  
of the Republic of China

Unit: NT\$ thousand

project	111 annual	110 annual
Cash flow from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(5,525)	(2,715,302)
Disposal of financial assets at fair value through profit or loss	61,636	1,547,958
Acquisition of property, plant and equipment	(292,440)	(845,002)
Disposal of property, plant and equipment	75,478	71,641
Deposit margin (increase) decrease	(9,175)	(45,448)
Acquire intangible assets	(119)	(323)
Other financial assets (increase) decrease	916,652	(140,498)
Net (increase) decrease in prepaid equipment payments	(20,314)	40,213
dividends received	12,878	15,227
Net cash inflows ( outflows ) from investing activities	739,071	(2,071,534)
Cash flow from financing activities:		
Increase (decrease) in short-term borrowing	(1,414,177)	1,977,997
Increase (decrease) in short-term bills payable	(129,811)	(20,259)
long-term borrowing	2,490,000	2,730,000
repayment of long-term loans	(492,606)	(897,242)
Deposit margin increase (decrease)	(708)	1,050
lease principal repayment	(17,166)	(17,076)
cash dividend	-	(481,341)
Employees buy treasury stock	-	940,430
outflows ) from financing activities	435,532	4,233,559
Effect of exchange rate changes on cash and cash equivalents	(36,937)	(34,427)
Increase (decrease) of cash and cash equivalents in the current period	(1,824,243)	(734,354)
Beginning cash and equivalent cash balance	3,238,003	3,972,357

Ending cash and equivalent cash balance	\$ 1,413,760	\$ 3,238,003
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(The appended notes are part of this consolidated financial report)

Chairman: Manager: Accounting Supervisor:



## Accountant audit report

NO. 00031110A

Nankang Tire Co., Ltd. Gongjian:

### Check opinion

Individual balance sheets of Nankang Tire Co., Ltd. on December 31, 2011 and December 31, 2010, and from January 1 to December 31, 2011 and January 1, 2010 to December The individual comprehensive profit and loss statement, individual equity change statement, individual cash flow statement, and individual financial report notes (including a summary of major accounting policies) on the 31st have been reviewed by our accountant.

According to the opinion of the accountant, the above-mentioned individual financial report is prepared in accordance with the financial report preparation standards of securities issuers in all material aspects, which is sufficient to express Nankang Tire Co., Ltd. on December 31, 2011 and December 31, 2010. Individual financial status, including individual financial performance and individual cash flow from January 1 to December 31, 2011 and January 1, 2010 to December 31, 2010.

### Basis of Audit Opinion

The accounting department performs the audit work in accordance with the accounting audit and certification financial statement rules and auditing standards. The accountant's responsibilities under these standards will be further explained in the section of the accountant's responsibility for checking individual financial reports. The personnel of the accounting firm affiliated to the independence standard have maintained detached independence from Nankang Tire Co., Ltd. in accordance with the code of professional ethics for accountants, and have performed other responsibilities of the code. The accountants believe that they have obtained sufficient and appropriate audit evidence as a basis for expressing their audit opinion.

### Key check items

Key audit items refer to the most important items in the audit of Nankang Tire Co., Ltd.'s 2011 individual financial report based on the professional judgment of our accountants. These matters have been dealt with in the process of checking the overall financial report of the individual and forming the audit opinion, and the accountants do not express opinions on these matters independently.

Here is an explanation of the key inspection items in the individual financial report of Nankang Tire Co., Ltd. in 2011:

#### Inventory evaluation

The inventory of Nankang Tire Co., Ltd. on December 31, 2011 was RMB 917,387,000. For the inventory accounting policy, please refer to Note 4 (10) of the individual financial report.

The inventory of Nankang Tire Co., Ltd. is measured by cost and net realizable value, because the assessment of the net realizable value of the inventory is related to major judgments and estimates, and the profit of the tire industry is affected by the price fluctuation of the main material natural rubber and the uncertain factors of the external economic environment, may cause drastic fluctuations in inventory cost and product selling price, resulting in a higher risk that the net realizable value of the inventory is lower than the book value and sluggish. Therefore, the accountant believes that the inventory evaluation of Nankang Tire Co., Ltd. is the most important item in this year's audit. one.

Our accountant mainly responds to the above-mentioned key audit items and the audit procedures are as follows:

1. Assess the rationality of the company's inventory evaluation and depreciation policies for dead goods.
2. Check and calculate the company's inventory evaluation basis data to confirm the rationality of the net realizable value.
3. Evaluate the inventory status through the annual inventory and inventory age analysis table, and confirm the completeness of the depreciation of the sluggish inventory.

#### Impairment of property, plant and equipment

The real estate, plant and equipment of Nankang Tire Co., Ltd. on December 31, 2011 was RMB 5,594,484,000. For the accounting policy of impairment of non-financial assets, please refer to Note 4 (15) of the individual financial report.

The management of Nankang Tire Co., Ltd. regularly evaluates whether there is any sign of impairment of real estate, plant and equipment. Since the assessment of impairment measures the recoverable amount of the cash-generating unit, many assumptions and estimates are involved. The estimation method directly affects the measurement of the recoverable amount. The results may change. Therefore, the accountant believes that the impairment assessment of the real estate, plant and equipment of Nankang Tire Co., Ltd. is one of the most important matters in this year's audit.

Our accountant mainly responds to the above-mentioned key audit items and the audit procedures are as follows:

1. Understand, analyze and evaluate the rationality of the cash-generating unit identified by the management of Nankang Tire Co., Ltd. with no signs of impairment.
2. Evaluate and analyze various hypothetical data for impairment testing, including cash flow forecast, discount rate, etc., and confirm the appropriateness of various hypothetical data.

### **Responsibilities of management and governing units for individual financial reporting**

The responsibility of the management is to prepare the individual financial reports that are properly expressed in accordance with the Financial Reporting Standards of Securities Issuers, and to maintain the necessary internal controls related to the preparation of individual financial reports to ensure that there are no major risks caused by fraud or errors in the individual financial reports. Misrepresentation.

When preparing individual financial reports, the responsibility of the management also includes evaluating the ability of Nankang Tire Co., Ltd. to continue operating, the disclosure of related matters, and the adoption of the accounting basis for continuing operations, unless the management intends to liquidate Nankang Tire Co., Ltd. or cease operations, or there is no practical alternative to liquidation or suspension of business.

The governance unit (including the audit committee) of Nankang Tire Co., Ltd. is responsible for supervising the financial reporting process.

### **Responsibilities of Accountants to Check Individual Financial Reports**

The purpose of the accountant's review of individual financial reports is to obtain reasonable assurance as to whether there is any material misrepresentation in the individual financial reports as a whole that is caused by fraud or error, and to issue a review report. Reasonable belief is a high degree of certainty, but the inspection work performed in accordance with the auditing standards cannot guarantee that it will be able to detect material misrepresentations in individual financial reports. Misrepresentation may result from fraud or error. Misrepresentation of individual amounts or aggregate amounts is considered material if it can reasonably be expected to affect economic decisions made by individual users of financial statements.

The accountant uses professional judgment and professional skepticism when auditing in accordance with the auditing standards. The accountant also performs the following tasks:

1. Identify and assess the risk of material misrepresentation of individual financial reports caused by fraud or error; design and implement appropriate countermeasures for the assessed risks; and obtain sufficient and appropriate audit evidence as the basis for audit opinions. Because fraud may involve collusion, forgery, willful omissions, misrepresentations, or the override of internal controls, the risk of undetected material misrepresentation resulting from fraud is higher than that resulting from error.
2. Obtain the necessary understanding of the internal control related to the audit, in order to design the appropriate audit procedures under the circumstances, but the purpose is not to express an opinion on the effectiveness of the internal control of Nankang Tire Co., Ltd.
3. Evaluate the appropriateness of the accounting policies adopted by the management, and the rationality of the accounting estimates and related disclosures made.
4. Based on the audit evidence obtained, draw conclusions on the appropriateness of the management's adoption of the going-concern accounting basis and whether there are major uncertainties in events or circumstances that may cast serious doubt on Nankang Tire Co., Ltd.'s ability to continue operating. If the accountant believes that there are major uncertainties in such events or situations, he must remind the individual financial report users to pay attention to the relevant disclosures in the individual financial reports in the audit report, or revise the audit opinion when the disclosures are inappropriate. The accountant's conclusion is based on the audit evidence obtained up to the date of the audit report. However, future events or conditions may cause Nankang Tire Co., Ltd. to no longer have the ability to continue operating.
5. Assess the overall expression, structure and content of individual financial reports (including related notes), and whether individual financial reports allow appropriate representation of relevant transactions and events.
6. Obtain sufficient and appropriate audit evidence for the financial information of the individual constituents of Nankang Tire Co., Ltd. to express opinions on the individual financial reports. The accountant is responsible for the guidance, supervision and implementation of the audit case, and is responsible for forming the audit opinion of Nankang Tire Co., Ltd.

The matters communicated by the accountant with the governing unit include the planned scope and time of the audit, as well as major audit findings (including significant deficiencies in internal control identified during the audit).

The accountant also provides the governance unit with the statement that the personnel of the accounting firm that is subject to independence regulations have complied with the statement of independence in the code of professional ethics for accountants, and communicates with the governance unit all relationships that may be considered to affect the independence of the accountant and other matters. matters (including relevant protective measures).

From the matters communicated with the management unit, the accountant decided the key items for checking the individual financial report of Nankang Tire Co., Ltd. in 2011. The accountant states these matters in the audit report, unless the law does not allow public disclosure of specific matters, or in extremely rare circumstances, the accountant decides not to communicate specific matters in the audit report, because the negative effects of such communication can be reasonably expected. The impact outweighs the public interest promoted.

Z h e n g f e n g  
A c c o u n t i n g F i r m



U n i t e d

Accountant:

吳欣亮



Wu Xinliang

Accountant:

鄭憲修



Zheng Xianxiu

Approval number: Jinguanzheng Liuzi No.  
09600000880

Financial Management Certificate No. 0930146900

March 29, 2011 \_ \_ \_ \_



Nankang Tire Co., Ltd.  
individual balance sheet

Republic of China 111 and December 31, 110

Unit: NT\$ thousand

assets		Note	December 31, 111		December 31, 110	
the code	accounting items		the amount	%	the amount	%
11xx	current assets					
1100	Cash and cash equivalents	six	\$ 61,322	-	\$ 1,775,904	8
1110	Financial assets at fair value through profit or loss - current	seven	101,370	1	220,311	1
1160	Notes receivable - net amount of related parties	eight twenty seven	8,819	-	8,917	-
1170	net accounts receivable	eight	206,062	1	594,464	3
1180	Accounts receivable - net of related parties	eight twenty seven	168,323	1	103,084	-
1200	other receivables		13,609	-	39,504	-
1210	Other receivables - related parties	twenty seven	14,436	-	1,681	-
1220	Current income tax assets		130	-	-	-
130x	stock	Nine	917,387	5	819,664	4
1410	Prepayments		16,844	-	33,521	-
1476	other financial assets	twenty eight	307	-	277	-
1479	other current assets		43,232	-	50,336	-
	Total Current Assets		1,551,841	8	3,647,663	16
15xx	Non-current assets					
1550	Investments using the equity method	ten	12,758,147	62	13,278,742	57
1600	Property, plant and equipment	eleven	5,594,484	27	5,953,366	26
1755	right-of-use asset	twelve	20,530	-	11,743	-
1760	Net investment real estate	Thirteen	331,289	2	331,318	1
1840	Deferred tax assets	twenty four	107,184	1	34,722	-

1915	prepaid equipment		72,607	-	52,293	-
1920	Refundable deposits		28,152	-	26,990	-
	Total non-current assets		18,912,393	92	19,689,174	84
1xxx	total assets		\$ 20,464,234	100	\$ 23,336,837	100

(The attached notes are part of this individual financial report)

Nankang Tire Co., Ltd.

individual balance sheet (continued)

Republic of China 111 and December 31, 110

Unit: NT\$ thousand

Liabilities and equity		notes	December 31, 111		December 31, 110	
the code	accounting items		the amount	%	the amount	%
21xx	Current liabilities					
2100	short-term loan	fourteen	\$ 7,891,610	39	\$ 9,061,199	39
2110	short-term notes payable	fifteen	329,543	2	459,354	2
2130	contract liabilities	twenty two	37,699	-	28,561	-
2150	Notes payable		959	-	2,961	-
2170	accounts payable		56,988	-	120,349	1
2180	Accounts Payable - Related Parties	twenty seven	86,401	1	152,303	1
2200	Other payables	sixteen	269,212	2	344,849	1
2230	Current income tax liabilities		38,118	-	149,216	1
2250	Provision for Liabilities - Current	seventeen	7,200	-	9,300	-
2280	Lease liabilities - current	twelve	7,651	-	9,009	-
23 20	Long-term liabilities due within one year	eighteen	257,000	1	769,406	3
23 99	Other current liabilities		28,708	-	63,954	-
	Total current liabilities		9,011,089	45	11,170,461	48
25xx	Non-current liabilities					
2540	Long term loan	eighteen	403,000	2	160,000	1
2571	Deferred income tax liabilities - land appreciation tax		639,709	3	639,709	3
2572	Deferred tax liabilities - non-current	twenty four	51,906	-	35,539	-
2580	Lease liabilities - non-current	twelve	12,794	-	2,677	-
2640	Net defined benefit liability - non-current	nineteen	34,499	-	79,066	-
2645	Deposit Margin		60	-	-	-

	Total non-current liabilities		1,141,968	5	916,991	4
2xxx	Total Liabilities		10,153,057	50	12,087,452	52
3100	share capital	twenty ( one )	8,339,349	41	8,339,349	36
3200	capital reserve	twenty (two)	290,880	1	290,880	1
3300	retained earnings	twenty (three)	1,479,446	7	2,479,537	10
3310	Statutory surplus reserve		176,641	1	388,893	1
3320	special surplus reserve		2,302,896	11	2,302,896	10
3350	undistributed surplus		(1,000,091)	(5)	(212,252)	(1)
3400	Other interests	twenty four)	201,502	1	139,619	1
3500	treasury stock	twenty one	-	-	-	-
3xxx	Total Equity		10,311,177	50	11,249,385	48
	Total liabilities and equity		\$ 20,464,234	100	\$ 23,336,837	100

(The attached notes are part of this individual financial report)

Chairman:



Manager:

Accounting supervisor:



Nankang Tire Co., Ltd.

individual comprehensive income statement

From January 1st to December 31st in the 111th and 110th years of the  
Republic of China

Unit: NT\$ thousand

the code	project	notes	111 years		110 years	
			the amount	%	the amount	%
4000	operating income	twenty two	\$ 3,830,570	100	\$ 4,125,446	100
5000	Operating cost	Nine	(3,404,926)	(89)	(3,651,276)	(89)
5900	operating profit		425,644	11	474,170	11
5910	unrealized sales benefit	twenty seven	(2,759)	-	(1,387)	-
5920	Realized sales benefit		1,387	-	7,485	-
5950	Net Operating Profit		424,272	11	480,268	11
6000	Operating expenses					
6100	promotional expenses		(462,736)	(12)	(672,465)	(16)
6200	Management costs		(287,560)	(8)	(436,778)	(10)
6300	research and development costs		(76,583)	(2)	(108,078)	(3)
6450	Expected credit impairment losses		(387)	-	(400)	-
	Total operating expenses		(827,266)	(twenty two)	(1,217,721)	(29)
6900	Operating profit (loss)		(402,994)	(11)	(737,453)	(18)
7000	Non-operating income and expenses					
7100	interest income		473	-	1,010	-
7010	Other income	twenty three (one)	41,352	1	16,393	-
7020	Other gains and losses	twenty three (two)	(8,243)	-	910,348	twenty two
7050	Financial costs	twenty three (three)	(119,445)	(3)	(86,827)	(2)
7070	Profit and loss share of subsidiaries, affiliated enterprises and joint ventures using the equity method		(589,382)	(15)	(334,777)	(8)
	Total non-operating income and expenses		(675,245)	(17)	506,147	12
7900	Net profit before tax (net loss)		(1,078,239)	(28)	(231,306)	(6)
7950	Income tax benefit (fee)	twenty four	54,657	1	(11,948)	-
8200	Net profit (net loss) for the period		(1,023,582)	(27)	(243,254)	(6)
8310	Other comprehensive income Items not reclassified to profit or loss:					
8311	Defined benefit plan remeasurements	nineteen	29,155	1	(5,481)	-

8321	Remeasurements of defined benefit plans for affiliated companies and joint ventures	twenty four	167	-	11,946	-
8349	Income tax related to items not reclassified		(5,831)	-	1,096	-
	Subtotal		23,491	1	7,561	-
8360	Subsequent items that may be reclassified to profit or loss:					
8361	Exchange difference on translation of financial statements of foreign operating institutions		53,080	1	(38,648)	(1)
8371	Exchange differences on the translation of financial statements of affiliated companies and joint venture foreign operating institutions		8,803	-	2,629	-
8399	Income tax (expense) benefit related to other comprehensive income components		-	-	-	-
	Subtotal		61,883	1	(36,019)	(1)
8300	Other comprehensive gains and losses for the period (net of tax)		85,374	2	(28,458)	(1)
8500	Total comprehensive profit and loss for the period		\$ (938,208)	(25)	\$ (271,712)	(7)
	Earnings (loss) per share (N. T. dollars)	twenty five				
9750	Basic earnings (loss) per share		\$ (1.23)		\$ (0.29)	
9850	Diluted earnings (loss) per share		\$ (1.23)		\$ (0.29)	

(The attached notes are part of this individual financial report)

Chairman:



Manager:



g supervisor:



  
Nankang Tire Co., Ltd.

Statement of Changes in Individual Equity

From January 1st to December 31st in the 111th and 110th years of the Republic of China

Unit: NT\$ thousand

project	share capital	capital reserve	retained earnings			Other equity items	treasury stock	total equity
			Statutory surplus reserve	special surplus reserve	undistributed surplus	Exchange difference on translation of financial statements of foreign operating institutions		
Balance on January 1, 2011	\$ 8,339,349	\$ 18,970	\$ 348,586	\$ 2,302,896	\$ 545,097	\$ 175,638	\$ (943,229)	\$ 10,787,307
Surplus allocation and distribution:								
Provision of statutory surplus reserve	-	-	40,307	-	(40,307)	-	-	-
common stock cash dividend	-	-	-	-	(481,349)	-	-	(481,349)
Transfer of treasury shares to employees	-	271,910	-	-	-	-	943,229	1,215,139
110 annual net profit (net loss)	-	-	-	-	(243,254)	-	-	(243,254)
Other comprehensive income and loss for the year 110	-	-	-	-	7,561	(36,019)	-	(28,458)
Total comprehensive profit and loss for the period	-	-	-	-	(235,693)	(36,019)	-	(271,712)
Balance on December 31, 2011	8,339,349	290,880	388,893	2,302,896	(212,252)	139,619	-	11,249,385

Statutory surplus reserve to make up losses	-	-	(212,252)	-	212,252	-	-	-
111 year net profit (net loss)	-	-	-	-	(1,023,582)	-	-	(1,023,582)
Other comprehensive income and loss in 2011	-	-	-	-	23,491	61,883	-	85,374
Total comprehensive profit and loss for the period	-	-	-	-	(1,000,091)	61,883	-	(938,208)
Balance on December 31, 2011	\$ 8,339,349	\$ 290,880	\$ 176,641	\$ 2,302,896	\$ (1,000,091)	\$ 201,502	\$ -	\$ 10,311,177

Note 1: The company's employee remuneration from January 1 to December 31 in 2011 and 2011 was 0,000 N.T. dollars.

(The attached notes are part of this individual financial report)

Chairman:



Manager:



Accounting supe:



Nankang Tire Co., Ltd.

individual cash flow statement

From January 1st to December 31st in the 111th and 110th years  
of the Republic of China

Unit: NT\$ thousand

project	111 annual	110 annual
Cash flow from operating activities:		
Net profit (net loss) before tax for the period	\$ (1,078,239)	\$ (231,306)
Adjustment items:		
Income expense items :		
Depreciation expense	470,828	485,132
Expected credit impairment losses	387	400
Net loss (gain) on financial assets and liabilities at fair value through profit or loss	62,830	(889,619)
Interest expense	119,445	86,827
interest income	(473)	(1,010)
dividend income	(12,878)	(12,252)
Share-Based Benefit Compensation Cost	-	274,708
Profit and loss of subsidiaries and affiliated enterprises adopting the equity method share	589,382	334,777
Disposal of real property, plant and equipment loss (profit)	(35,196)	(19,839)
unrealized sales benefit	2,759	1,387
Realized sales benefit	(1,387)	(7,485)
Unrealized interests with subsidiaries and affiliated enterprises	3,221	(792)
other losses	-	418
Changes in assets/liabilities related to operating activities		
Notes receivable - Related parties (increase) decrease	98	(3,090)
Accounts receivable (increase) decrease	388,015	410,542
Accounts receivable - Related parties (increase) decrease	(65,239)	(12,737)
Other receivables (increase) decrease	25,895	49,792
Inventory (increase) decrease	(97,723)	(100,095)
Prepayment (increase) decrease	16,677	(2,461)
Obtain contract incremental cost (increase) decrease	-	(34,793)
Other current assets (increase) decrease	7,103	(759)
Increase (decrease) in contract liabilities	9,138	(26,478)
( decrease ) in notes payable	(2,002)	(15,570)
( decrease ) in accounts payable	(63,360)	(70,460)



payable - increase ( decrease ) of related parties	(65,902)	12,261
( decrease ) in other payables	(80,227)	(24,100)
Other payables - increase ( decrease ) of related parties	(89)	(630)
Increase (decrease) in liability provision	(2,100)	(800)
Increase ( decrease ) in other current liabilities	(35,246)	5,655
Increase ( decrease ) in net defined benefit liability	(15,412)	(17,261)
Cash inflows ( outflows ) from operations	140,305	190,362
interest charged	473	93
interest paid	(114,694)	(86,217)
income tax paid	(118,497)	(178,927)
Net cash inflow ( outflow ) from operating activities	(92,413)	(74,689)

Nankang Tire Co., Ltd.

Individual Cash Flow Statement (continued)

From January 1st to December 31st in the 111th and 110th years  
of the Republic of China

Unit: NT\$ thousand

project	111 annual	110 annual
Cash flow from investing activities:		
Acquisition of financial assets at fair value through profit or loss	(5,525)	(2,715,302)
Disposal of financial assets at fair value through profit or loss	61,636	1,547,958
Capital reduction and return of shares of invested companies using the equity method	-	276,865
Receive dividends on equity method investments	22,000	709,209
Acquisition of property, plant and equipment	(145,216)	(493,825)
Disposal of property, plant and equipment	74,685	58,325
Deposit margin (increase) decrease	(1,162)	(19,499)
Other receivables - Related parties (increase) decrease	(12,754)	114
Other financial assets (increase) decrease	(30)	8
Net (increase) decrease in prepaid equipment payments	(20,314)	40,213
receive other dividends	12,878	12,252
Net cash inflows ( outflows ) from investing activities	(13,802)	(583,682)
Cash flow from financing activities:		
( decrease ) in short-term borrowing	(1,187,074)	2,568,587
( decrease ) in short-term bills payable	(129,811)	(20,259)
long-term borrowing	500,000	637,311
repayment of long-term loans	(782,461)	(1,311,524)
Deposit margin increase ( decrease )	60	-
lease principal repayment	(9,081)	(9,627)
cash dividend	-	(481,341)
Employees buy treasury stock	-	940,430
outflows ) from financing activities	(1,608,367)	2,323,577

(decrease) of cash and cash equivalents in the current period	(1,714,582)	1,665,206
Beginning cash and equivalent cash balance	1,775,904	110,698
Ending cash and equivalent cash balance	\$ 61,322	\$ 1,775,904

(The attached notes are part of this individual financial

report)

Chairman: Ma  Accounting Super 

