Annual Report 2018

Stock：2103

Annual Report website of FSC：http://mops.twse.com.tw
The company's website：https://www.tsrc.com.tw
Published on mar 20, 2019

台橡股份有限公司
TSRC CORPORATION

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Job title: Vice President
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The name of any exchanges where the Company's securities are traded offshore, and the method by which to access information on said offshore securities: No

Letter to the Shareholders

Letter to the Shareholders

2018 was a year in which TSRC's overall financial performance grew steadily, and its operating performance improved versus the past few years. 2018 saw a number of difficult industry challenges including the weak demand for synthetic rubber caused by slower China automotive and tire market growth and abundant supply of low-price natural rubber, intense pricing pressure driven by aggressive competition, and the trade war which negatively impacted the Company's volume, revenue and profit.

However, the effort over the past years of investing and developing our specialty business portfolio has paid dividends with increased TPE and ASM sales and profit contributions. In particular, our ASM business alliance with global brands in launching high performance sport shoes was very successful, and we were able to run full capacity for all ASM production lines. In addition, we were successful in turning around and significantly improving our joint venture investments in India and China with ISRPL (India) running at above 80% utilization rate in 2018 and turning in good profit, and ARLANXEO-TSRC (China) substantially improving its business performance and profitability. This led to growth in our investment income from the two JVs' strong profit contribution and together with good efforts in financial management boostedTSRC's overall profit resulting in strong Net Income and EPS (earnings per share) improvement over 2017, thereby offsetting the impact from the difficult challenges from the economy and end use market.

In total, the shipment of synthetic rubber and TPE product was 453 thousand metric tons in 2018, a reduction of 6% versus prior year. Consolidated revenue was NTD 29,751 million, a decrease of 6% compared to NTD 31,766 million the previous year. Consolidated gross profit was up 5% to NTD 3,489 million and margin was 12%. Consolidated operating profit was NTD 1,302 million, an increase of 8% compared to the previous year. As a result, net income was NTD 1,192 million while EPS was NTD 1.44, representing a 36% increase from the previous year.

Technology innovation is a key foundation for TSRC in driving profitable growth in the long-term. Over the past few years, we have successfully developed new solutions to support customers as well as engaging customers in new technology and product development. TSRC has also focused on developing new market segments and applications including material for medical devices, lubricant viscosity modifiers, green tires, and specialty films to improve our market position and value share of specialty polymers.

The key research projects in 2018 include the continued development of SSBR microstructure control technology platform with breakthrough in functional modification, development of high-cis BR with new catalyst technology for plastic modification, tire, and shoe applications, technology development in co-polymerization, hydrogenation catalyst, and product finishing for new generation of HSBC, and continued cooperation with leading global brands to jointly develop ASM withhigher performance properties. In 2018,TSRC was granted 6 patents.

Looking ahead, there is strong consensus in the forecast of a slowdown in global economic growth in 2019 due to trade conflicts, currency and crude oil price volatility, market instability, and the weakening of the China economy. It is envisaged that investment and manufacturing activities will contract with these factors, especially if the trade tensions were to continue in 2019. There are significant uncertainties in 2019 to warrant a cautious business projection.

At the micro level of the synthetic rubber and TPE industry, in addition to the macroeconomic uncertainties described above, TSRC is expected to be confronted with raw materials price pressure due to potential trade fallout, tremendous market price pressure for synthetic rubber with low natural rubber prices not expected to abate and oversupply from vertically integrated suppliers, and profit compression and weak demand for TPE due to trade dispute uncertainties and aggressive competition for market share. These factors will limit the ability for TSRC to exercise pricing leverage and drive profit growth. Nevertheless, we are still pushing hard to target a 4% increase in sales volume in 2019 through increased ASM growth, new geographic markets, and selective growth opportunities with on-purpose products.

Our efforts in expanding high value, high performance product technologies remain on-course with the new twenty thousand metric tons per year advanced SEBS line in Nantong, China coming on-stream in end 2019, and the new seven thousand metric tons per year production facility in Binh Duong Province, Vietnam, for ASM expected to start production in first half of 2020. The new SEBS production line will incorporate new processes and technologies, focusing on products for medical applications such as fluid bags and tubes. These two expansion projects are critical to deliver our five-year growth plan and will strengthen our market position in specialty applications and market segments.

We will continue to strengthen our competitive capabilities and enhanceour technology, quality, and customer services in response to the constantly changing market conditions. We expect TSRC to grow and thrivein the future.

Chairman: Nita Ing

Company profile

I. Date of incorporation

July 27, 1973

II. Company history

2010's Globalization

- Signed an SBS technology licensing contract with a Russian Company, which was the first technology out-licensing by TSRC.
- Established an joint venture E-SBR plant with an annual output of 120 thousand metric tons in India and a joint venture NBR plant in Nantong, Jiangsu, China.
- Acquired Dexco in the U.S.
- Established a SIS plant with an annual output of 25 thousand metric tons in Nantong, Jiangsu, China.
- Expanded the production line for Advanced Shoe Materials in Gangshan.
- Upgraded the Technology Center and Semi-commercial Plant in Kaohsiung, Taiwan.
- Kicked off the construction of the second SEBS production line in Nantong, Jiangsu, China.
- Raised stake in Indian joint venture (Indian Synthetic Rubber Private Ltd.) to 50%
- Incorporated Vietnam subsidiary, located in Binh Duong Province, TSRC (Vietnam)

2000's Expansion of Production Lines

- Successfully developed the second generation SEBS technology.
- Established Compound plants in Songjian, Shanghai and Jinan, Shandong, respectively.
- Established an SEBS plants with an annual output of 20 thousand metric tons and formed an joint venture-BR plant with an annual output of 50 thousand metric tons respectively in Nantong, Jiangsu, China.

1990's Rapid Regional Expansion

- Established its second SBS production line in Kaohsiung.
- Established Shen Hua Chemical Industrial in Nantong, Jiangsu, China and established an E-SBR plant with an annual output of 100 thousand metric tons. This Company is the first joint venture and overseas Company of TSRC.
- Participated in a joint venture project of BR with an annual output of 50 thousand metric tons in Thailand.
- Successfully developed the first generation of SEBS technology.

1980's Early Growing Stage

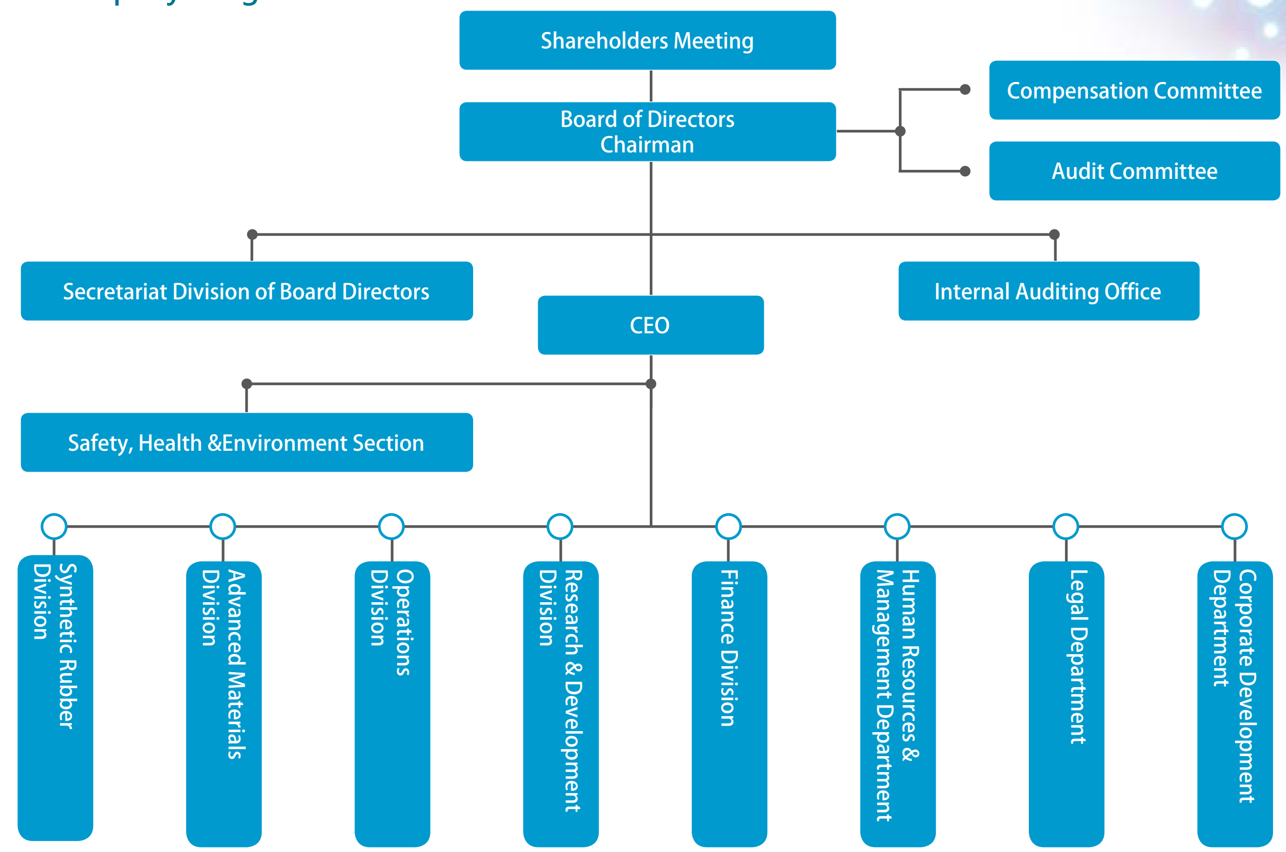
- Established a BR plant with an annual output of 40 thousand metric tons.
- Relocated the Philips SBS Plant from Texas, USA to Kaohsiung.

1970's Beginning

- Taiwan Synthetic Rubber Corp. (TSRC) was established in 1973.
- Established an E-SBR plant with an annual output of 100 thousand metric tons (the first E-SBR plant in Taiwan).

Corporate governance report

I. Company's organization



Tasks of principal divisions/departments/business

Secretariat Division of Board Directors	Planning and implementing matters of the Board of Directors for the smooth operation of the Board.
Internal Auditing Office	Planning and performing internal audit to ensure the effective operation of the internal system as well as establishing corporate risk evaluation and risk management mechanisms.
Safety, Health & Environment Section	Stipulating, planning, supervising and promoting the safety and health management matters and directing related departments in implementation.
Synthetic Rubber Division	Responsible for planning and executing the synthetic rubber business development project, selling synthetic rubber products, analyzing overall performance, and responsible for operation result.
Advanced Materials Division	Responsible for planning and executing the development project for advanced material business, selling thermoplastic elastomer (TPE) and applied materials, analyzing overall performance, and responsible for operation result.
Operations Division	Responsible for managing the production of plants, supervising the system operation of the supply chains, dedication to maintaining the operational safety of plants, improving quality, maximizing production efficiency, and improving the competitiveness of products.
Research & Development Division	Developing own or introducing advanced technologies externally in cope with the long-term strategy of TSRC, which allows the product quality of TSRC and technology to reach international level, improves the overall competitiveness, and increases revenues to ensure the sustainability of TSRC.
Finance Division	Responsible for the stipulation of financial policy and accounting system, planning and managing funds, accounts, taxes, equities and financial of re-investing businesses, as well as assisting in the customer credit risk management of all business units. Meanwhile, also responsible for the overall planning of the information service system of TSRC in order to improve the efficiency of operational management and decision-making.
Human Resources & Management Department	Planning and establishing human resources policy, drafting plans and budget for employee selection, recruitment, cultivation, retainment, and employee relations, as well as shaping organizational culture and promoting organizational management in order to fulfill the goal of the organization and operate effectively.
Legal Department	Responsible for legal management and providing legal support to TSRC to ensure the interests of TSRC are not harmed.
Corporate Development Department	Stipulating the medium to long-term development strategy, integrating and allocating resources, supervising execution process of all projects, handling the promotion of corporate social responsibility and public relations.

II. Information on Board of Directors and Presidents

<1> Information on Board of Directors (1)

Job title	Nationality or Place of registration	Name	Gender	Date of elected	Term of contract	Date of first elected	Shares held when elected		Shares currently held		Shares currently held by their spouses and children of minor age	
							Share(s)	%	Share(s)	%	Share(s)	%
Chairman	Republic of China	Hao Ran Foundation Statutory Representative: Nita Ing	Female	June 21, 2018	3	July 27, 1985	60,171,319 0	7.3 -	60,171,319 0	7.3 -	0	-
Director	Republic of China	Hao Ran Foundation Statutory Representative: Chin-Shan Chiang	Male	June 21, 2018	3	June 06, 2012	60,171,319 762	7.3 -	60,171,319 762	7.3 -	0	-
Director	Republic of China	Metacity Development Corporation Representative: Jing-Lung Huang	Male	June 21, 2018	3	June 21, 2018	31,093,108 0	3.8 -	31,093,108 0	3.8 -	0	-
Director	Republic of China	Metacity Development Corporation Representative: Tzu Wei Lee	Male	June 21, 2018	3	September 02, 2002	31,093,108 1,046	3.8 -	31,093,108 1,046	3.8 -	0	-
Director	Republic of China	Metacity Development Corporation Representative: John T. Yu	Male	June 21, 2018	3	June 10, 2015	31,093,108 0	3.8 -	31,093,108 0	3.8 -	0	-
Director	Republic of China	Wei Dah Development Co.,Ltd. Representative: Tsai-Der Chen	Male	June 21, 2018	3	June 21, 2018	53,708,923 174	6.5 -	53,708,923 174	6.5 -	0	-
Independent Director	Republic of China	Robert Hung	Male	June 21, 2018	3	June 06, 2018	0	-	0	-	0	-
Independent Director	Republic of China	Sean Chao	Male	June 21, 2018	3	June 21, 2018	0	-	0	-	0	-
Independent Director	Republic of China	Rex Yang	Male	June 21, 2018	3	June 21, 2018	0	-	0	-	0	-

Remark: The Company made a complete re-election on June 21, 2018.

Major shareholders of institutional shareholders

December 31, 2018

Institutional shareholders	Major institutional shareholders
Hao Ran Foundation	No institutional shareholders
Han De Development Corporation	QingShan Investment Company (99.8%)
Wei Dah Development Co. Ltd.	QingShan Investment Company (99.8%)

December 31, 2018

Shares held through nominees		Principal work experience and Academic qualification	Position(s) currently held in the Company and/or in any other Company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
Share(s)	%			Job title	Name	Relationship
0	-	Bachelors' Degree in Department of Economics, University of California, Los Angeles	Chairman of Hao Ran Foundation Chairman of Continental Holdings Corp. Chairman of Continent Engineering Company Director of Continent Development Company Director of American Bridge Holding Company	No	No	No
0	-	Masters' Degree in Department of Public Administration, NCU	Director of Wei Dah Development Corporation, Chairman of Capital Community Management Corporation, Director of Taiwan High Speed Rail, Director of Hao Ran Foundation	No	No	No
0	-	Bachelors' Degree in Department of Accounting, NCKU	Managing Director of Pan Asia Corp., Chairman of Han De Construction Co., Ltd, Chairman of Wei Dah Development Corporation, Chairman of Xi Hui Corporation, Chairman of QingShan Investment Company, Director of Continent Engineering Company (India) (Hong Kong), Supervisor of Continent Development Company, Director of Capital Community Management Corporation, Director of Xin Rong Corporation, Director of Continental Holdings Corp., Director of CEC Commercial Development Corporation	No	No	No
0	-	Masters' Degree in Institute of Business and Management, NCTU	Director of Tai He Development and Investment Company, Director of Newegg Company, USA	No	No	No
0	-	Graduated from Advanced Management Class in Management Faculty, Harvard University, Bachelors' Degree in Department of Electrical Engineering, NTU	Chairman of CTCI Corporation, Chairman of Xing Li Development Company, Director of CTCI Overseas Corporation Limited, Director of CTCI Education Foundation, Managing Director of CTCI Foundation, Director of Gintech Energy Corporation, Director of Utech Solar Company, Director of TCC, Supervisor of China Steel Chemical Company	No	No	No
0	-	Bachelors' Degree in Department of Accounting and Statistics, NCKU	None	No	No	No
0	-	Masters' Degree in Department of Economics, Illinois State University, USA	Independent Director of Wistron NeWeb Corporation	No	No	No
0	-	Masters' Degree in Department of Business Administration, University of Chicago, Bachelors' Degree in Department of Politics and International Relations, NTU	Independent Director of Hann Star Corporation	No	No	No
0	-	Bachelors' Degree in Department of Business Administration, Soochow University	Director of Kadar Pte. Ltd.	No	No	No

Remark: The Company made a complete re-election on June 21, 2018.

Major shareholders of major shareholders of institutional shareholders

December. 31, 2018

Institutional shareholders	Major institutional shareholders
Ching Shan Zhen Corporation	Jade Fortune Enterprises Inc.(100%)

nformation on directors(2)

Conditions / Name	Whether they possess work experience of more than five years and the following professional qualifications		
	At least lecturers of business, law, finance or accounting departments or other relevant departments/divisions required by the Company's business of public and private colleges/universities	Judges, prosecutors, attorneys, CPAs, or other professional and technical personnel possessing licenses after passing national examinations as required by the Company's business	Experience in business, law, finance and accounting,and other work required by the Company's business
Nita Ing			V
Chin-Shan Chiang			V
Jing-Lung Huang			V
Tzu Wei Lee			V
John T. Yu			V
Tsai-Der Chen			V
Robert Hung			V
Sean Chao			V
Rex Yang			V

Please tick " v " in the following blank boxes,if the directors meets the following conditions within two years prior to the appointment and in the duration of the appointment.

1. Who are not employees of the Company or its affiliates;
2. Directors and supervisors of non-affiliates of the Company (this limit shall not apply to the independent directors, which were established in accordance with this Act or local laws, of the parent company or a subsidiary of the Company);
3. Who are not directors/supervisors, or the directors'/supervisors' spouses or minor children, or natural person shareholders who possess more than 1% of the Company's total issued shares in the name of another person, or top ten natural person shareholders;
4. Who are not spouses, relatives within 2nd degree of relationship or lineal relatives within 3th degree of relationship of the personnel referred to in the preceding three subparagraphs;
5. Who are not directors, supervisors or employees of institutional shareholders holding more than 5% of the Company total issued shares directly, or directors, supervisors or employees of top five institutional shareholders;
6. Who are not directors, supervisors, managers or shareholders holding more than 5% of the shares of any specific companies or organizations which have financial or business transactions with the Company;
7. Who are not the owners, partners, directors, supervisors, managers and spouses of the experts, proprietorship, partnership, companies or organizations that have provided financial, commercial and legal services and consultation to the Company and its affiliates within the recent year; Excluding the remuneration committee referred to in Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.
8. Who are not spouses or relatives within 2nd degree of relationship of the other directors;
9. Who are free from any of the circumstances referred to in Article 30 of the Company Act;
10. Who are not the corporations or representatives defined in Article 27 of the Company Act;

Remark: The Company made a complete re-election on June 21, 2018.

December 31, 2018

compliance with the circumstances for independency										number of other public companies in which he/she assumes an independent director concurrently
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
V	V	V	V		V	V	V	V		0
V	V	V	V		V	V	V	V		0
V	V	V	V		V	V	V	V		0
V	V	V	V	V	V	V	V	V		0
V	V	V	V	V	V	V	V	V		0
V	V	V	V	V	V	V	V	V		0
V	V	V	V	V	V	V	V	V	V	1
V	V	V	V	V	V	V	V	V	V	1
V	V	V	V	V	V	V	V	V	V	0

<2> Information on presidents

Job title	Name	Nationality	Date of elected	Shares currently held		Shares currently held by their spouses and children of minor age		Shares held through nominees	
				Share(s)	%	Share(s)	%	Share(s)	%
CEO	Joseph Chai	Singapore	November 01, 2015	0	-	0	-	55,000	-
Sr. Vice President Advanced Materials Division	Wing-Keung Hendrick Lam	Canada	July 16, 2004	0	-	0	-	0	-
Vice President Operations Division	R. L. Chiu	Republic of China	June 01, 2016	2,046	-	0	-	0	-
Vice President Finance Division	Edward Wang	Republic of China	June 01, 2016	0	-	0	-	0	-
Vice President Research & Development Division	Qiwei Lu	USA	April 01, 2016	0	-	0	-	0	-
Vice President Synthetic Rubber Division	Kevin Liu	Republic of China	June 01, 2016	0	-	0	-	0	-
Vice President Human Resources & Management Department	Alison Tung	Republic of China	September 01, 2017	0	-	0	-	0	-

December 31, 2018

Principal work experience and Academic qualification	Position(s) currently held in the Company and/or in any other Company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship 人		
		Position	Name	Relationship
Lubrizol Corporation Deputy Vice President of Asia Pacific/ MBA, Case Western Reserve University, USA	Directors of Polybus Corporation. Pte Ltd., TSRC (Hong Kong) Limited, Trimurti Holding Corporation., Hardison International Corporation., Dymas Corporation., Triton International Holdings Corporation.	No	No	No
Financial Officers of Pacific Industrial Co., Ltd., Assistant Vice President of First Pacific Co. Ltd. and Shau Kei Wan Industrial School, Hong Kong	Chairman of TSRC(Nantong) Industrial Ltd. and TSRC(Shanghai) Industrial Ltd., TSRC(Vietnam)Co., Ltd.; Directors of TSRC (USA) Investment Corporation., Dexco Polymers Operating Company LLC, Indian Synthetic Rubber Private Ltd., Trimurti Holding Corporation., Hardison International Corporation., TSRC (Hong Kong) Limited, Dymas Corporation, Polybus Corporation PteLtd., TSRC(Lux.) Corporation S.à r.l., APED Company Ltd.	No	No	No
Kaohsiung factory manager and Assistant of Manufacturing Division, Acting Vice President of Rubber Business Division TSRC. Vice President & Factory manager of Shen Hua Chemical Industrial Co., Ltd. and Chemical Engineer, Chung Yuan Christian University, Executive Master of Business Administration, National Sun Yat-Sen University	Directors of Shen Hua Chemical Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd.	No	No	No
Chief Financial Officer, HTC / Master of Business, Administration, Tunghai University	Directors of Shen Hua Chemical Industrial Ltd., Polybus Corporation Pte Ltd., Trimurti Holding Corporation., Triton International Holdings Corporation, TSRC (Hong Kong) Limited, TSRC (USA) Investment Corporation., Dexco Polymers Operating Company LLC, TSRC(Lux.) Corporation S.à r.l., Indian Synthetic Rubber Private Ltd., TSRC(Vietnam)Co., Ltd. APED Company Ltd. ; Supervisors of TSRC(Nantong) Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Company Ltd., TSRC (Shanghai) Industrial Ltd., ARLANXEO-TSRC(Nantong) Chemical Industrial Co., Ltd.	No	No	No
Global Strategic Technology Officer, Lubrizol / Doctor in Material Science and Engineering, University of Minnesota	None	No	No	No
Manager, Sales and Marketing, Department, Asst. Vice President Rubber Business Unit, TSRC. Spokesperson and Assistant Vice President, Sales Department, China Synthetic Rubber Corp., and MSA, Cambridge College, USA	Chairman of Shen Hua Chemical Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd., Indian Synthetic Rubber Private Limited; Director of ARLANXEO- TSRC(Nantong) Chemical Industrial Co., Ltd., Thai Synthetic Rubbers Co., Ltd	No	No	No
Microsoft Corp. Client-aligned Director of HR Greater China Region, Vice President, Human Resource (GIGNA Int'l, Taipei, Taiwan), National Taiwan University-EMBA, New York University MA, Industrial & Organizational Psychology	None	No	No	No

<3> Remuneration paid to directors, supervisors, presidents and vice presidents

1.Directors' remuneration

<table>
<tr><th rowspan="3">Job title</th><th rowspan="3">Name</th><th colspan="8">Directors remuneration</th></tr>
<tr><th colspan="2">Base compensation (A)</th><th colspan="2">Severance pay and pensions (B)</th><th colspan="2">Remuneration to directors (C)</th><th colspan="2">Business execution expenses(D)</th></tr>
<tr><th>The Company</th><th>Companies in Financial Report</th><th>The Company</th><th>Companies in Financial Report</th><th>The Company</th><th>Companies in Financial Report</th><th>The Company</th><th>Companies in Financial Report</th></tr>
<tr><td>Chairman</td><td>Hao Ran Foundation Statutory Representative:Nita Ing</td><td rowspan="15">18,789</td><td rowspan="15">18,789</td><td rowspan="15">0</td><td rowspan="15">0</td><td rowspan="15">14,064</td><td rowspan="15">14,064</td><td rowspan="15">1,000</td><td rowspan="15">1,000</td></tr>
<tr><td>Director</td><td>Hao Ran Foundation Statutory Representative:Chin-Shan Chiang</td></tr>
<tr><td>Director</td><td>Metacity Development Corporation Representative: Jing-Lung Huang</td></tr>
<tr><td>Director</td><td>Metacity Development Corporation Representative:Tzu Wei Lee</td></tr>
<tr><td>Director</td><td>Metacity Development Corporation Representative:John T. Yu</td></tr>
<tr><td>Director</td><td>Wei Dah Development Co.,Ltd. Representative:Tsai-Der Chen</td></tr>
<tr><td>Independent Director</td><td>Robert Hung</td></tr>
<tr><td>Independent Director</td><td>Sean Chao</td></tr>
<tr><td>Independent Director</td><td>Rex Yang</td></tr>
<tr><td>Chairman (Note 1,2)</td><td>Wei Dah Development Co.,Ltd. Representative: Shao Yu Wang</td></tr>
<tr><td>Vice Chairman (Note 1)</td><td>Wei Dah Development Co.,Ltd. Representative:Nita Ing</td></tr>
<tr><td>Director(Note 1)</td><td>Wei Dah Development Co.,Ltd. Representative:Chin-Shan Chiang</td></tr>
<tr><td>Director(Note 1)</td><td>Metacity Development Corporation Representative: D. Otto Cheng</td></tr>
<tr><td>Director(Note 1)</td><td>John T. Yu</td></tr>
<tr><td>Independent Director(Note 1)</td><td>Henry Lin</td></tr>
<tr><td>Independent Director(Note 1)</td><td>Henry Feng</td></tr>
</table>

Note1: The Company made a complete re-election on June 21, 2018.
Note2: One leased vehicle and one driver assigned to the Company's. The yearly rent for the leased vehicle is NTD 593 thousand and the remuneration paid to the driver is NTD 679 thousand.

Unit: thousand NTD

Percentage of the total of A, B, C and D accounting for income after tax		Relevant remuneration received by directors who are also employees								Percentage of total of A, B, C, D, E, F and G accounting for income after tax		Compensation paid to directors from non-consolidated affiliates
		Salary, bonus and special allowance(E)		Severance pay and pensions (F)		Employees' earnings (G)						
						The Company		Companies in Financial Report				
The Company	Companies in Financial Report	The Company	Companies in Financial Report	The Company	Companies in Financial Report	Cash	Stock	Cash	Stock	The Company	Companies in Financial Report	
2.84	2.84	0	0	0	0	0	0	0	0	2.84	2.84	0

Remuneration paid to the various directors	Name of directors			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The Company	Companies in Financial Report	The Company	Companies in Financial Report
2,000,000 below	Chin-Shan Chiang, John T. Yu, Tzu Wei Lee, Henry Feng, Tsai-Der Chen, Jing-Lung Huang, D. Otto Cheng, Henry Lin, Wei Dah Development Co.,Ltd.	Please refer to the left column.	Chin-Shan Chiang, John T. Yu, Tzu Wei Lee, Henry Feng, Tsai-Der Chen, Jing-Lung Huang, D. Otto Cheng, Henry Lin, Wei Dah Development Co.,Ltd.	Please refer to the left column.
2,000,000 (inclusive of 2,000,000)-5,000,000(does not contain 5,000,000)	Shao Yu Wang, Robert Hung, Nita Ing, Rex Yang, Sean Chao, Hao Ran Foundation Statutory, Metacity Development Corporation	Please refer to the left column.	Shao Yu Wang, Robert Hung, Nita Ing, Rex Yang, Sean Chao, Hao Ran Foundation Statutory, Metacity Development Corporation	Please refer to the left column.
5,000,000 (inclusive of 5,000,000)-10,000,000(does not contain 10,000,000)	-	-	-	-
10,000,000 (inclusive of 10,000,000)-15,000,000(does not contain 15,000,000)	-	-	-	-
15,000,000 (inclusive of 15,000,000)-30,000,000(does not contain 30,000,000)	-	-	-	-
30,000,000 (inclusive of 30,000,000)-50,000,000(does not contain 50,000,000)	-	-	-	-
50,000,000 (inclusive of 50,000,000)-100,000,000(does not contain 100,000,000)	-	-	-	-
100,000,000 above	-	-	-	-

Remark: The Company made a complete re-election on June 21, 2018.

2. Presidents' and vice presidents' remuneration

Unit: thousand NTD

Job title	Name	Salary(A)		Severance pay and pensions (B)		Bonus and special allowance(C)		Employees' compensation amount (D)				Percentage of the total of A, B, C and D accounting for income after tax (%)		Compensation paid to directors from non-consolidated affiliates
		The Company	Companies in Financial Report	The Company	Companies in Financial Report	The Company	Companies in Financial Report	The Company		Companies in Financial Report		The Company	Companies in Financial Report	
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
CEO	Joseph Chai (Note)	39,083	39,083	0	0	15,803	15,803	6,916	0	6,916	0	5.18	5.18	0
Sr. Vice President	Wing-Keung Hendrick Lam													
Vice President	R. L. Chiu													
Vice President	Edward Wang													
Vice President	Qiwei Lu													
Vice President	Kevin Liu													
Vice President	Alison Tung													

Note:One leased vehicle and one driver assigned to CEO. The yearly rent for the leased vehicle is NTD 490 thousand and the remuneration paid to the driver is NTD 576 thousand and rental housing costs NTD 2,640 thousand .

Remuneration paid to the president and vice presidents	Name of president and vice presidents	
	The Company	Companies in Financial Report
2,000,000 below	-	-
2,000,000 (inclusive of 2,000,000)-5,000,000(does not contain 5,000,000)	R. L. Chiu, Kevin Liu	Please refer to the left column.
5,000,000 (inclusive of 5,000,000)-10,000,000(does not contain 10,000,000)	Edward Wang, Wing-Keung Hendrick Lam, Qiwei Lu, Alison Tung	Please refer to the left column.
10,000,000 (inclusive of 10,000,000)-15,000,000(does not contain 15,000,000)	-	-
15,000,000 (inclusive of 15,000,000)-30,000,000(does not contain 30,000,000)	Joseph Chai	Please refer to the left column.
30,000,000 (inclusive of 30,000,000)-50,000,000(does not contain 50,000,000)	-	-
50,000,000 (inclusive of 50,000,000)-100,000,000(does not contain 100,000,000)	-	-
100,000,000 above	-	-
Total	7	Please refer to the left column.

3.Employees' bonus paid to management team and allocation

December 31, 2018

	Job title	Name	Stock	Cash (NTD in thousands)	Total (NTD in thousands)	Percentage of the total income after tax (%)
Managers	Sr. Vice President	Wing-Keung Hendrick Lam	0	6,916	6,916	0.58
	Vice President.	R. L. Chiu				
	Vice President.	Edward Wang				
	Vice President.	Kevin Liu				
	Vice President.	Alison Tung				

<4> The total remuneration as a percentage of net income paid by the Company, and by each other Company included in the consolidated financial statements, during the past two fiscal years to its directors, supervisors, president and vice presidents and describe the remuneration policies, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure.

1. Remuneration paid in the most recent two years

Unit: thousand NTD

Job title	The Company		Companies in Financial Report	
	2018	2017	2018	2017
Director remuneration	33,853	30,008	33,853	30,008
Director remuneration percentage of net income after taxes(%)	2.84	3.43	2.84	3.43
CEO and vice president	61,802	59,884	61,802	59,884
CEO and vice president remuneration percentage of net income after taxes(%)	5.18	6.85	5.18	6.85

2. The Company paid to the directors and personnel above the level of vice presidents remuneration policy standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure are as follows:

The relevant remuneration payable by the Company to CEO and vice presidents shall be subject to the resolution of the shareholders' meeting, while the remuneration payable to CEO and vice president shall be subject to Management Rules Governing Salary to maintain the competitive salary and remuneration standards in the market. Meanwhile, it is necessary to take the salary position applicable to the relevant job tanks in the same trade, Company's overall operational performance and personal performance to define the salary portfolio consisting of monthly salary (including base compensation and allowance) and year-end bonus; the principle of this salary policy has been evaluated to be of no risk in the future.

III. Status of corporate governance implementation

<1> Operation of the board of directors

1. Duration for the 16th board of directors: June 21, 2018 to June 20, 2021 after the reelection of directors in the shareholders' meeting of the Company on June 21, 2018.
2. The 15th Board of Directors held 5 meetings in 2018. The attendance of directors in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remark
Chairman	Wei Dah Development Co.,Ltd. Representative: Shao Yu Wang	5	0	100	The total number of meetings in their duration is 5.
Vice Chairman	Wei Dah Development Co.,Ltd. Representative:Nita Ing	5	0	100	
Director	Wei Dah Development Co.,Ltd. Representative:Chin-Shan Chiang	5	0	100	
Director	Metacity Development Corporation Representative:Tzu Wei Lee	4	1	80	
Director	Metacity Development Corporation Representative:D. Otto Cheng	3	2	60	
Director	John T. Yu	4	1	80	
Independent Director	Robert Hung	5	0	100	
Independent Director	Henry Lin	2	3	40	
Independent Director	Henry Feng	5	0	100	

Other matters to be noted:

1. Matters provided in Article 14-3 of the Securities and Exchange Act: Matters provided in Article 14-3 of the Securities and Exchange Act and submitted to the Board of Directors of TSRC for approval by resolution. Independent directors do not have dissenting opinions or qualified opinions on the aforementioned matters.
2. Matters approved by the Board of Directors by resolution that independent directors have dissenting opinions or qualified opinions with records or written statement: None.
3. Status of recusal by Directors in issues with conflict of interest: Directors have avoided the discussion and resolution related to their remunerations themselves.
4. The goal of enhancing the functions of the Board of Directors of the current year and the most recent year and execute the evaluation on its implementation: To enhance the functions and perfect the supervising function of the Board of Directors of TSRC; TSRC establishes the Audit Committee and Remuneration Committee under the Board of Directors in accordance with Article 24 of the "Articles of Incorporation" of TSRC. Each committee assists the Board to enhance corporate governance and supervising function based on its duties.

The Board of Directors held 4 meetings in 2018. The attendance of directors in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remark
Chairman	Hao Ran Foundation Statutory Representative:Nita Ing	4	0	100	Start date for the 16th Board of Directors is on June 21, 2018. The total number of meetings in their duration is 5.
Director	Hao Ran Foundation Statutory Representative:Chin-Shan Chiang	4	0	100	
Director	Metacity Development Corporation Representative: Jing-Lung Huang	4	0	100	
Director	Metacity Development Corporation Representative:Tzu Wei Lee	2	2	50	
Director	Metacity Development Corporation Representative:John T. Yu	4	0	100	
Director	Wei Dah Development Co.,Ltd. Representative:Tsai-Der Chen	4	0	100	
Independent Director	Robert Hung	4	0	100	
Independent Director	Sean Chao	4	0	100	
Independent Director	Rex Yang	4	0	100	

Other matters to be noted:

1. Matters provided in Article 14-3 of the Securities and Exchange Act: Matters provided in Article 14-3 of the Securities and Exchange Act are submitted to the Board of Directors of TSRC for approval by resolution. Independent directors do not have dissenting opinions or qualified opinions on the aforementioned matters.
2. Matters approved by the Board of Directors by resolution that independent directors have dissenting opinions or qualified opinions with records or written statement: In 2018, there were no matters of which the independent directors (16th Board of Directors) have dissenting opinions or qualified opinions.
3. Status of recusal by Directors in issues with conflict of interest: there were no issues of conflict of interest.
4. The goal of enhancing the functions of the Board of Directors of the current year and the most recent year and execute the evaluation on its implementation: To enhance the functions and perfect the supervising function of the Board of Directors of TSRC; TSRC establishes the Audit Committee and Remuneration Committee under the Board of Directors in accordance with Article 24 of the "Articles of Incorporation" of TSRC. Each committee assists the Board to enhance corporate governance and supervising function based on its duties.

<2> Operation of the Audit Committee

1. There are 3 members in the Audit Committee of the Company. Duration for the 16th board of directors: June 21, 2018 to June 20, 2021 after the reelection of directors in the shareholders' meeting of the Company on June 21, 2018.
2. The 15th Audit Committee held 4 meetings in 2018. The attendance of members in the audit committee meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remark
Independent Directors (Convener)	Robert Hung	4	0	100	The total number of meetings in their duration is 4.
Independent Director	Henry Lin	0	4	0	
Independent Director	Henry Feng	4	0	100	

Other matters to be noted:

1. Matters provided in Article 14-5 of the Securities and Exchange Act: The operation of the Audit Committee of TSRC is conducted in accordance with Article 14-5 of the Securities and Exchange Act. Matters that shall be reviewed by Audit Committee are reviewed by the Audit Committee and are subject to the consent of one-half or more of all audit committee members and are submitted to the board of directors for a resolution.
2. Matters that are not passed by the Audit Committee and are approved by 2/3 of all directors by resolution: none.

3. Recusal of independent directors in issues of conflict of interests: none.
4. Communication among independent directors, internal audit officer and public accountants:
   4.1.TSRC currently has 3 independent directors, and all of them are members of the Audit Committee. The audit officer provides audit reports to independent directors on a regular basis and attends the meetings of the Audit Committee to report the audit status. Meanwhile, the audit officer also keeps track of improvements and provides results of improvements based on the opinions of the Audit Committee.
   4.2.The certified public accountants attend the meetings of the Audit Committee, give detailed explanations regarding the results of quarterly and annual financial reports and provide suggestions on corporate governance and illustration of updated laws and regulations. In addition,members of the Audit Committee also inquire with public accountants for professional opinions on financial and accounting issues through the Financial Officer.

3. The 16th Audit Committee held 3 meetings in 2018. The attendance of members in the audit committee meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remark
Independent Directors (Convener)	Robert Hung	3	0	100	The total number of meetings in their duration is 3
Independent Director	Rex Yang	3	0	100	
Independent Director	Sean Chao	3	0	100	

Other matters to be noted:
1. Matters provided in Article 14-5 of the Securities and Exchange Act: The operation of the Audit Committee of TSRC is conducted in accordance with Article 14-5 of the Securities and Exchange Act. Matters that shall be reviewed by Audit Committee are reviewed by the Audit Committee and are subject to the consent of one-half or more of all audit committee members and are submitted to the board of directors for a resolution.
2. Matters that are not passed by the Audit Committee and are approved by 2/3 of all directors by resolution: none.
3. Recusal of independent directors in issues of conflict of interests: none.
4. Communication among independent directors, internal audit officer and public accountants:
   4.1.TSRC currently has 3 independent directors, and all of them are members of the Audit Committee. The audit officer provides audit reports to independent directors on a regular basis and attends the meetings of the Audit Committee to report the audit status. Meanwhile, the audit officer also keeps track of improvements and provides results of improvements based on the opinions of the Audit Committee.
   4.2.The certified public accountants attend the meetings of the Audit Committee, give detailed explanations regarding the results of quarterly and annual financial reports and provide suggestions on corporate governance and illustration of updated laws and regulations. In addition,members of the Audit Committee also inquire with public accountants for professional opinions on financial and accounting issues through the Financial Officer.

<3> Status of implementation of corporate governance, any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies and the reasons for any departure

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1. Has the Company abided by the" Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to formulate and disclose the corporate governance best practice principles?		V	The Company has referenced the regulations in Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies and formulated regulations in relevant guidelines of the Company to implement and promote corporate governance.	Considering the actual operation of corporate governance; referencing the regulations in those guidelines; formulate relevant regulations of the Company. The Company will update relevant regulations based on the laws if necessary.

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
2. Equity structure and shareholders right				
(1) Has the Company formulated internal SOP for handling shareholders' suggestions, doubts, disputes, litigations and implemented them according to the SOP?		V	(1) The Company has considered the operational needs. The Company's website provides the window for relevant matters of shareholders currently to handle suggestions, doubts, disputes and litigation matters of the shareholders. In addition, there are relevant functional departments for handling the suggestions, doubts, disputes and litigation matters of the shareholders.	Considering the actual operations. There are relevant departments responsible for handing relevant matters of shareholders.
(2) Does the Company hold a list of the Company's key shareholders and their ultimate controllers?	V		(2) Disclose the list of main shareholders in the Company and their ultimate controllers in accordance with the law	No difference
(3) Has the Company established and implemented risk control and firewall mechanism with its affiliated companies?	V		(3) There is a clear distinction and proper firewall mechanism established for the management goal and responsibilities of personnel, assets and finance between the Company and affiliates. In addition, the audit unit implements measures for internal audits and internal control to ensure the risk control, management and law compliance.	No difference
(4) Has the Company stipulated internal regu- lations prohibiting inside personnel trading securities using information that has not yet been disclosed on the market?	V		(4) Formulate guidelines for ethical behavior and regulations for the execution of public affairs and promote relevant regulations actively.	No difference
3. The organization of the Board of Directors and their duties				
(1) Has the board formulated diverse guidelines for different groups and implemented them accordingly?	V		(1) The Board of Directors of the Company adopted plans of diverse directions in accordance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" and the industrial type and operational needs. The Board of Directors is composed of 9 directors. Three of which are independent directors. Corporate governance can be enhanced, and the function of Board of Directors can be implemented effectively with the rich professional experiences of all directors and the opinions provided on business management.	No difference
(2) Besides creating the Remuneration Committee and the Audit Committees according to the law, has the Company voluntarily established other functional committees?		V	(2) Considering the needs of business operations, the Company has set up functional committees such as Audit Committee and Remuneration Committee.	Considering the management of business operations, the Company will not set up other functional committee for now.
(3) Has the Company formulated a performance appraisal method for the board of directors and its evaluation thereof and conducted them regularly every year?		V	(3) The Company has drafted "Regulations for Self-Evaluation or Peer Evaluation of the Board of Directors" in accordance with "Taiwan Stock Exchange Corporation Operation Directions for the Appointment of Independent Directors by TWSE Listed Companies" and will execute and declare in accordance with the regulations.	The Company has drafted some plans and will declare in accordance with the regulations.
(4) Does the Company evaluate accountant independence on a regular basis?	V		(4) Before the end of each fiscal year, the responsible unit of the Company will prepare the evaluation and selection report for the entrusted certified public accountant (CPA) of the next fiscal year and report to the Board of Directors before appointment to ensure the independence of the CPA.	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
4. Whether a TWSE/TPEx listed Company sets up a full (or part) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings)?	V		The Company has set up relevant units responsible for matters regarding corporate governance in accordance with the regulations in Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies.	No difference
5. Does the Compan y maintain channels of communication with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and designate a stakeholders section on its website as well as properly respond to critical corporate social responsibility issues that stakeholders are concerned with?	V		The Company's relevant business departmental personnel will keep in touch with stakeholders. The supervisory management of the board of directors will take care of the stakeholders' opinion.	No difference
6. Has the Company commissioned professional securities institutions to handle the shareholders' meetings?	V		We commissioned Sino Pac Holdings to handle the shareholders' meeting.	No difference
7. Disclosures (1) Does the Company set up a website to disclose financial business and corporate governance? (2) Does the Company also adopts other means for disclosure. (i.e. English web site, personnel dedicated to collect and disclose Company information, establishment of a spokesperson policy, disclosure of the process of investor conference on Company web site, etc.)	V V		(1) The Company's related information and annual reports will be posted on the Company's website periodically, and important message will be released by the Company's spokesman pursuant to laws (2) In order to enhance the information transparency and services to investors, including adding financial information via properly utilizing public information systems and the official website of TSRC and implementing speaker systems, TSRC holds investor conferences annually and live streams important message to shareholders.	No difference
8. Is there any other important information that will facilitate the understanding of the Company's corporate governance operations (including but not limited to employee rights, employee care, investor relations, sup plier relations, stakeholders' rights, further education of directors and supervisors, implementation of risk management policy and risk evaluation standards, client policy implementation, Company's liability insurance for its directors and supervisors and so on)?	V		The Company has formulated relevant important regulations, such as "Regulations on the authority of the Board of Directors", "Distribution table of responsibilities on the business of TSRC", "Regulations on the management of levels of responsibilities" to clearly define the authorized rights of the Board of Directors and understand the distribution of responsibilities between the Board of Directors and managers and the management and control of all risks.	No difference
9. Please describe the improvement for the corporate governance evaluation result of the latest year released by the TWSE Corporate Governance Center and propose precedent enhancement and measures for matters that have not yet been improved-1. Uploading time of information of shareholders' meeting in advance; 2. Complete the yearly education hours of all directors; 3.Complete relevant operations regarding the performance assessment of the Board of Directors in 2019				

<4> Information on Compensation Committee:

The major duties of the Remuneration Committee:

1. Stipulate and periodically review the performance evaluation of the directors and managers as well as the policy, system, standards, and structure of the remuneration.
2. Periodically evaluate and stipulate remuneration for directors and managers.

(1) Information on Compensation Committee

The identity		Independent Director	Independent Director	Independent Director
		Robert Hung	Sean Chao	Rex Yang
Whether they possess work experience of more than five years and the following professional qualifications	At least lecturers of business, law, finance or accounting departments or other relevant departments/divisions required by the Company's business of public and private colleges/universities			
	Judges, prosecutors, attorneys, CPAs, or other professional and technical personnel possessing licenses after passing national examinations as required by the Company's business			
	Experience in business, law, finance and accounting,and other work required by the Company's business	v	v	v
Compliance with the circumstances for independency	(1)	v	v	v
	(2)	v	v	v
	(3)	v	v	v
	(4)	v	v	v
	(5)	v	v	v
	(6)	v	v	v
	(7)	v	v	v
	(8)	v	v	v
Number of other public companies in which he/she assumes an independent director concurrently		1	1	0
Remarks				

Please tick "v" in the following blank boxes, if the member meets the following conditions within two years prior to the appointment and in the duration of the appointment.

(1) Who are not employees of the Company or its affiliates;
(2) Not the directors and supervisors of the Company or affiliates. This limit shall not apply to the independent directors of the Company or its parent company or subsidiaries established in accordance with this Law or local laws.
(3) Who are not directors/supervisors, or the directors'/supervisors' spouses or minor children, or natural person shareholders who possess more than 1% of the Company's total issued shares in the name of another person, or top ten natural person shareholders
(4) Who are not spouses, relatives within 2nd degree of relationship or lineal relatives within 3th degree of relationship of the personnel referred to in the preceding three subparagraphs;
(5) Who are not directors, supervisors or employees of institutional shareholders holding more than 5% of the Company total issued shares directly, or directors, supervisors or employees of top five institutional shareholders;
(6) Who are not directors, supervisors, managers or shareholders holding more than 5% of the shares of any specific comp anies or organizations which have financial or business transactions with the Company;
(7) Who are not the owners, partners, directors, supervisors, managers and spouses of the experts, proprietorship, partnership, companies or organizations that have provided financial, commercial and legal services and consultation to the Company and its affiliates within the recent year;
(8) Who are free from any of the circumstances referred to in Article 30 of the Company Act;

Remark: The Company made a complete re-election on June 21, 2018.

(2) Information on Remuneration Committee

1. There are 3 members in the Remuneration Committee of the Company. 1. Duration for the 16th board of directors: June 21, 2018 to June 20, 2021 after the reelection of directors in the shareholders' meeting of the Company on June 21, 2018
2. The 15th Remuneration Committee held 3 meetings in 2018. The attendance of members in the remuneration committee meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remark
Independent Director (Convener)	Henry Lin	1	2	33	The total number of meetings in their duration is 3.
Independent Director	Robert Hung	3	0	100	
Independent Director	Henry Feng	3	0	100	

Other matters to be noted:

1. Where the Board of Directors does not adopt or revise the recommendation from the Remuneration Committee, the minutes of the meeting shall specify the date and term of the directors' meeting, content of the issue, resolution of the directors' meeting, and the disposition on the opinion from the Remuneration Committee by the Company (where the remuneration approved by the Board of Directors is superior to the recommendation from the Remuneration Committee, the difference and reasons shall be specified): none.
2. If, with respect to any resolution of the remuneration committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the minutes of the meeting shall specify the date and term of the meeting of the Remuneration Committee, content of issues, opinions of all members, and disposition on the opinions of members: none.
3. The 16th Remuneration Committee held 2 meetings in 2018. The attendance of members in the remuneration committee meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remark
Independent Director (Convener)	Sean Chao	2	0	100	The total number of meetings in their duration is 2
Independent Director	Robert Hung	2	0	100	
Independent Director	Rex Yang	2	0	100	

Other matters to be noted:

1. Where the Board of Directors does not adopt or revise the recommendation from the Remuneration Committee, the minutes of the meeting shall specify the date and term of the directors' meeting, content of the issue, resolution of the directors' meeting, and the disposition on the opinion from the Remuneration Committee by the Company (where the remuneration approved by the Board of Directors is superior to the recommendation from the Remuneration Committee, the difference and reasons shall be specified): none.
2. If, with respect to any resolution of the remuneration committee, any member has a dissenting or qualified opinion that is on record or stated in a written statement, the minutes of the meeting shall specify the date and term of the meeting of the Remuneration Committee, content of issues, opinions of all members, and disposition on the opinions of members: none.

<5> Fulfillment of social responsibility

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1. Implementation of Corporate governance (1) Has the Company stipulated CSR policies or systems and reviewed the performance?	V		1. Mission and vision of corporation: By adhering to the principles of cherishing resources on Earth, fulfilling corporate social responsibility and sustainability, we are dedicated to developing eco-friendly and energy-saving materials and creating excellent operational performance, which helps the corporation to march forward at a steady pace on the path of development and bring more benefits and values to stakeholders and the public. 2. Mission statement: To become a critical cooperation partner of customers in the long-term, strive to fulfill corporate social responsibility, and become an excellent corporation dedicated to innovation, growth and excellence. 3. Vision statement: To become a growth and profit-oriented global special material corporation and to provide the best solutions, value and return on investment to our shareholders, customers and employees. 4. Corporate Social Responsibility system: Stipulate the communication and solid issue selection procedure of corporate social responsibility (CSR), and promote CSR business through the CSR Promotion Committee and periodically convening Steering Committee meetings to review the CSR promotion and strategy.	No difference
(2) Does the Company regularly organize CSR education and training?	V		The policy and direction of education and training strive to boost employee work skills and competiveness. It also encompasses CSR related issues such as environmental protection, energy conservation, labor health and safety and green products in order to respond to changes in the future market and environment. According to employee training regulation, yearly educational training plans are determined by yearly operational directions of the Company, needs of departments, requirement of relevant laws in order to execute the courses for newly entered and in-job employee training of general education, professional skills, management skills, certified qualification. The objective of lifelong learning is achieved through internal and external trainings.	No difference
(3) Has the Company established a dedicated (part-time) unit for CSR, which is managed by senior executives and authorized by the board of directors, and reports to the board of directors?	V		The organizational structure of CSR is as follows:five committees, "Promotion Secretariat" and "Corporate Governance Committee", "Employee Care Committee", "Environment Protection and Energy Saving Committee", "Outgoing Communication Committee", "Social Care Committee" are under Steering Committee lead by the CEO to face the management indexes in economy, environment and society related to the control of social responsibilities of enterprises actively. CSR promotion secretariat collects the performance and opinion every year and report to CSR guidance committee and then the CEO will report the performances and future strategies to the Board of Directors.	No difference
(4) Has the Company stipulated a reasonable remuneration policy, integrated the employee performance evaluation system with CSR policy, and established clear, effective reward/punishment mechanism?	V		TSRC ensures reasonable remuneration through the remuneration committee and the remuneration management regulation. Furthermore, health and safety performance is linked to an appraisal system and reflected in the employees' annual performance evaluation; any violations of the regulation will be dealt with in accordance with the reward and punishment regulations.	No difference
2. Development of sustainable environment (1) Does the Company contributed to improving the utilization of all resources and used recycled material that brought minimum load to the environment.	V		For the production process, TSRC introduces the principle of "maximizing the utilization of energy and resources." TSRC tries to minimize the consumption of energy and resources required in production by improving the design of the production process and efficiency, and recycling raw materials, as well as to continue to develop and produce new green products. For the use of fuels for furnaces, TSRC also uses natural gas to replace fuel oils in order to reduce pollution.	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
(2) Has the Company established an environment management system according to the industry characteristics?	V		The Company continues to operate effectively, under the certifications of ISO 1400, environmental management system. The Company passed ISO 50001 Energy Management System/QC 080000 certification (hazardous material process flow management system).	No difference
(3) Does the Company pay attention to the impact of the climate change on the operation of the Company and establish energy saving, carbon reduction and greenhouse gas minimization strategies.	V		1. The Company established dedicated environmental management organization in accordance with the law, with dedicated environmental management staff in charge of air pollution, waste water, waste and toxic materials. 2. Regarding planning for reducing greenhouse gas, the Company supports the national reduction objectives and complies with relevant policies of competent agencies. ISO 14064-1 (inspection on greenhouse gas) verification has been approved for 2011, 2013 and 2015-2018, separately and registration operation has been completed in the "National greenhouse gas platform". The Company belongs to the first batch industries announced by environment protection bureau for the declaration on the emission volume of greenhouse gas. Inspection and verification have been completed for organizational greenhouse gas for 2017 on June 2018. 3. EPA proclaimed the "Regulations for Periodic Regulatory Goals and Approaches of the Greenhouse Gas Emissions" on March 28, 2017. The first stage of the regulatory goal is between 2016 and 2020. In the first stage of the regulatory goal, the EPA allocates different emission reduction quotas to different ministries and agencies under the Executive Yuan (this plant is planned to be under the Industrial Development Bureau, Ministry of Economic Affairs), and the actual emission reduction quota has not been officially proclaimed. This plant will initiate the related emission reduction measures in advance to comply with the regulatory requirements 4. Regarding the carbon/water trace of the product, three representative verification of ISO/DIS 14067 (carbon trace of the products) and water trace of the products are approved in 2012; in addition, the Company gets hold of the accounting ratio of greenhouse gas in each stages of product life cycles through the construction of carbon/water trace verification system and seeks for the opportunities for carbon reduction. Moreover, the Company selects low-carbon raw materials and parts during product production or development to reduce the burden of the environment. 5. To continue relevant measures of energy saving and carbon reduction, ISO 50001 energy management system was built in 2013 and SGS certification is approved. Energy efficiency is increased, operational costs are reduced, and the emission of greenhouse gas is reduced continuously from 2014 to 2018. High energy consumption equipment and processes are improved through energy management system and external verification of energy management system is completed continuously every year. In the future, the system can help the Company to analyze the usage and consumption status of energy and seek for recognition of improvement opportunities.	No difference
3. Protection of social commonwealth (1) Has the Company stipulated relevant management policies and procedures in accordance with related regulations and the International Bill of Human Rights?	V		The Company uses the Labor Standards Act and related labor laws as the basis for formulating employee attendance, leave and overtime management regulations. Strict rules are enforced to prohibit forced labor, and all regulations are clearly documented in the CSR manifesto.	No difference
(2) Has the Company established an employee complaint mechanism and channel and has it handled complaints adequately?	V		The employee complaint management regulation has been implemented and a complaint email has been created in the Company intranet.	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
(3) Does the Company provide the employees with safe and healthy working environment and carried out regular training courses regarding safety and health of the employees.	V		The Company executed relevant operations in accordance with occupational safety and health act. Environment monitoring are performed every half year to clarify status of personnel exposure while conducting leveled management at the same time. Relevant educational training of occupational safety and health are implemented every year to promote the knowledge of employee safety and health.	No difference
(4) Does the Company establish the periodic communication mechanism for employees, and notified employees of any changes in operation that might materially affect employees in reasonable manners.	V		Group agreement (an agreement every three years), Management and Labor Council (every season in principle), Communication meeting of officers of the union (based on needs), Meeting for the Development of Corporate Strategies (every year), Forum with the CEO (based on needs), Welfare committee for labors (every season), responsibilities care committee (every two months), labor safety and health committee (every season), communication meeting for safety of employees (every season), supervisory committee for labor pension (every season), agreement organization of joint operations (based on needs), Health promotion seminars (based on needs), employee discussion zone in the internal Portal website.	No difference
(5) Has the Company created an effective vocational skill development and training program?	V		The policy and direction of education and training strive to boost employee work skills and competiveness in order to respond to changes in the future market and environment. Every year, the annual education and training program is devised according to the internal employee training regulation, Company's management guideline, organizational demand and relevant laws, where new employee and current employee general knowledge, professional skill, management competency, qualification and certification are organized. Furthermore, the goal of "lifelong learning" is materialized through internal and external training.	No difference
(6) Has the Company stipulated policies and complaint filing protocols to protect the consumers' rights throughout the R&D, procurement, production, operations and service process?	V		The customers whom the Company faces are not the end consumers, but the downstream manufacturers. Through annual interactive seminars and interviews (email, telephone interview, questionnaire and so on), we are able to ensure the health and safety of our clients when using our products. Quality assurance convenes related units to conduct the survey, analyze the cause and examine the response method in order to propose appropriate solutions. The cause of the customer complaint and solution are compiled to form an investigation report according to the handling method of various customer complaints in order to quickly resolve the problem of quality and hazardous substance free product deliveries. In addition, the Company sets up, "mail box for social responsibilities of enterprise" (csr.admin@tsrc.com) and special zones for stakeholders to communicate with all kinds of stakeholders and give feedbacks.	No difference
(7) Has the Company abide by relevant regulations and international standards concerning the marketing and labeling of products and services?	V		TSRC provides Security Data Sheet (SDS) for all products to customers to ensure users are fully aware of the terms of use and disposal methods for waste. For international laws and regulations and customers' demand, TSRC establishes a process management system for hazardous and nonhazardous materials and provides compliance statements for all products.	No difference
(8) Before the Company decides to collaborate with a supplier, does it assess the supplier's past record to determine if it has had any influence on the environment and the society?	V		Apart from conducting procedural evaluations on the quality of raw materials provided by suppliers, TSRC also conducts QC 080000 (process management system for hazardous materials) on the raw materials and packing materials produced by suppliers. For the development of raw materials by new suppliers, the developer shall sign the HSF or provide a self-statement to ensure the safety of products in advance before proceeding to trial production plans. After the trial production process is in compliance with requirements, TSRC shall complete vendor safety capacity evaluations, investigations on CSR assessment, and vendors shall complete signing the code of conduct for suppliers of TSRC before being listed in the qualified suppliers list.	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
(9) Does the contract between the Company and major suppliers include the right to terminate or cancel the contract should the supplier violate the Company's CSR policies, resulting in considerable impact on the environment and the society?	V		If the following circumstances, such as significant improper quality, abnormal HSF quality, late delivery, severe violation of industrial safety regulations or significant CSR deficiencies (media disclosure) which are not improved within a year, happen to qualified suppliers and cause an impact on the production, quality, HSF quality or CSR image of the Company, such supplier shall be suspended for supply if these deficiencies are not reviewed and improved.	No difference
4. Enhancing the disclosure of information Does the Company disclose relevant and reliable CSR related information on its website and on the MOPS?	V		The "Special Zone for Corporate Social Responsibility" has been established on the Company's official website for public disclosure of information about CSR Report.	No difference
5. Has the Company established the CSR implementation policy according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, describe the difference between the actual implementation and the regulations of the Principle:The Company established CSR guidance committee in 2010 and promoted comprehensive CSR operations and executed them in accordance with "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies".				
6. Other important in formation that is helpful to understand the operation of CSR : (1) External consultants establishing the CSR mechanism. (2) Continued Solution Styrene Butadiene Rubber (SSBR) is used in tire manufacturing. It can reduce oil consumption and waste gas emission by cars, reducing the impact on the environment. (3) Participating in the Taiwan Responsible Care Association and Chemical Awareness and Emergency Response Association, Taiwan, fulfilling member obligations and ensuring the safety and health of the community/society. (4) The Manufacturing Process Safety Management Guidelines, Product Management Guidelines, Contractor Safety Management Guidelines, Distribution Management Guidelines, Waste Management and Reduction Management Guidelines and Emergency Reaction Management Guidelines are established based on the safety standards of Taiwan Responsible Caring Association. The established sub-committees of "Manufacturing Process Safety", "Product Regulations and Rules", "Contractor Safety", "Distribution Safety", "Energy Saving and Reduction", "Emergency Reaction" and "Legislation and Discipline" continued to operate. Plant "Safety, Health, Environmental Protection and Green" policies are implemented with a reinforced "Technology, Equipment, Staff and Community" policy. (5) Environmental accounting (including expenses of safety, health and environment protection) was built on 2010. The statistics of all environmental accounting expanses are calculated every year for the use in management and subsequent improvement of environment, safety and health;Third-party verification of MFCA(Material Flow Cost Accounting) was also acquired in 2018 to enhance the recycling of waste rubber and improve the functionality of equipment. (6) Environmental accounting was established in 2010 (including safety, health and environmental protection expense). Statistics of several environmental accounting expenses every year have also been completed for the purpose of management and continuous improvement in environmental safety and health. 。 (7) Regarding the management and protection of pipe lines and participation in the control of joint organization,effective operations are executed continuously in accordance with regulations. Excellent control and joint protection organization award has been given by Industrial development bureau three years in a row to ensure safe operations of pipe lines and protect public safety of near-by underground industrial pipe lines and operational safety of labors. (8) Results of the implementation of corporate social responsibility 1. Economic side: Implement the requirements relating to corporate governance, announce the various ways and channels of communication for all interested parties on TSRC's official website 2. Environmental side: The Company continues to reduce waste, save energy, improve and refine the production process through the implementation and execution of all management systems, and wishes to establish and produce environmentally friendly production processes and products. 3. Social side: By using the locations of factories as the basis, the Company gradually establishes the social care map. Through social participation and helping disadvantaged groups, the Company also continues to promote chemical educational programs in rural areas and applies products along with suppliers for social care. We expect to fulfill CSR through diverse charity events.				
7. CSR reports certified by relevant certification agencies should be elaborated: The Company's CSR report was written under the GRI Standards and obtained third party TUV NORD AA1000 verification.				

<6> Fulfillment of Ethical Corporate Management

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1. Define the program for operation in good faith (1) Has the Company defined its ethical management policy and approach in its Company charter and external documents, as well as the commitment of the board of directors and executives in actively implementing such management policy? (2) Has the Company stipulated plans against unethical conducts and clearly defined the SOP, good practice guide, punitive measures, complaint system and ensure their proper implementation? (3) Has the Company taken precautionary measures against unethical conducts and business activities stipulated by Article 7.2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"	V V V		1. All of the Company's directors and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhile, the Company also highlighted its determination to fulfill the operation in good faith in its enterprise cultural declarations about enterprise mission, enterprise view and core competency, and expressly defined the disciplinary procedure for violations in said codes in accordance with the Company's "Reward & Punishment Policy". 2. Aforementioned regulations are the responsibilities of the Company's board of directors secretariat and Human Resources & Management Department department.	No difference
2. Fulfillment of operation in good faith (1) Has the Company assessed the ethical record of its partners and stipulated the ethical behavior clause in the contract? (2) Has the Company established a dedicated (part-time) unit subsidiary to the board of directors to promote ethical management, and has the unit regularly reported its status to the board of directors? (3) Has the Company stipulated policies to prevent the conflict of interest, provided adequate complaint channel and ensured of its proper implementation? (4) Has the Company created an effective accounting system, internal control system in implementing ethical management, and conducted regular evaluations through the internal auditing unit or commission an accountant to conduct the evaluation? (5) Has the Company regularly organized internal and external education and training concerning ethical management?	V V V V V		1. We make sure that we only conduct business with qualified suppliers through the "Supplier Evaluation and Management Regulation", and we announce our stance on refusing to collaborate with unethical companies to our suppliers when enquire for quotation. 2. All of the Company's directors and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhile, the Company also highlighted its determination to fulfill the operation in good faith in its enterprise cultural declarations about enterprise mission, enterprise view and core competency, and expressly defined the disciplinary procedure for violations in said codes in accordance with the Company's "Reward & Punishment Policy" 3. Our Company has developed annual audit plan each year to audit the accounting system of the Company and the operation of internal control system.	No difference
3. Status of the Company's reporting mechanism. (1) Has the Company stipulated a specific reporting and reward system, established a convenient reporting channel and assigned appropriate personnel to the accused? (2) Has the Company stipulated SOP and relevant confidentiality system to investigate the matter in question? (3) Has the Company taken measures to protect the reporter from being wrongfully treated?	V V V		The Company adopted relevant regulations and channels based on the "Regulations Governing Employee Complaints Management" and employee opinions gathered from the intranet (EIP), furthermore, the "Reward and Punishment Regulation" also stipulates procedures for the reporting and punishment of violations.	No difference
4. Enhance the disclosure of information (1) Has the Company disclosed the performance of its ethical management on the Company website and the MOPS?	V		The internal website of our Company, EIP, has disclosed "Regulations for the execution of working affairs" to provide all employees guidelines to follow.	No difference
5. If the Company has defined its ethical corporate management practice in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the operation thereof and difference between the Principles and the practice defined by the Company: The Company executed the operation in accordance with the "Ethical Code" and "Code of Professional Conduct", and there is no difference between them and said Principles.				
6. Any other important information helpful to comprehend the Company's operation in good faith :None.				

<7> Stipulation of Corporate Governance Best Practice Principles and related regulations

The Company has currently adopted the "Code of Ethical Conduct," "Articles of Incorporation," "Rules for Procedure for hareholders Meetings," "Rules of Procedure for Board of Directors Meetings," "Rules for Director Election," "Procedures for the Handling Acquisition and Disposal of Assets," "Procedures for Extending Loan to Others," "Procednres for Granting Endorsements and Guarantees," and so on. For more information, please visit our website (http://www.tsrc.com.tw).

<8> Other significant information the will provide a better understanding implementation of corporate governmance.

1. Advanced study of directors/supervisors

Job title	Name	Date of advanced study	Hosted by	Programs	Hours
Chairman	Nita Ing	November 22, 2018	Securities & Futures Institute	Legal Responsibilities of Directors and Supervisors in Enterprise Merger	3
			Securities & Futures Institute	Analysis of Important Issues regarding Recent Amendment of The Company Act	3
Director	Chin-Shan Chiang	November 22, 2018	Securities & Futures Institute	Legal Responsibilities of Directors and Supervisors in Enterprise Merger	3
			Securities & Futures Institute	Analysis of Important Issues regarding Recent Amendment of The Company Act	3
Director	Jing-Lung Huang	July 10, 2018	Securities & Futures Institute	Promotion Meeting on Compliance to internal equity transaction regulations	3
		November 22, 2018	Securities & Futures Institute	Legal Responsibilities of Directors and Supervisors in Enterprise Merger	3
			Securities & Futures Institute	Analysis of Important Issues regarding Recent Amendment of The Company Act	3
		December 12, 2018	Securities & Futures Institute	The Effect on Business Operations by the Recent Reform in Tax Act and Countermeasures	3
Director	Tzu Wei Lee	November 22, 2018	Securities & Futures Institute	Legal Responsibilities of Directors and Supervisors in Enterprise Merger	3
			Securities & Futures Institute	Analysis of Important Issues regarding Recent Amendment of The Company Act	3
Director	John T. Yu	May 04, 2018	Taiwan Institute for Sustainable Energy	Sustainable Development and Strategies in Industrial Service Industry	2
		July 26, 2018	Taiwan Institute for Sustainable Energy	13th CEO Lectures and Seminars on Special Topics	2
		August 03, 2018	Taiwan Corporate Governance Association	Promotion on anti-corruption of enterprise and information security from the transformation of Bitcoins	3
Director	Tsai-Der Chen	September 19, 2018	Taiwan Corporate Governance Association	14th International Forum on Corporate governance	6
		October 04, 2018	Taipei Foundation of Finance	Major Financial Crimes of Corporate governance and Corporate governance (0012 period)	3
		November 22, 2018	Securities & Futures Institute	Legal Responsibilities of Directors and Supervisors in Enterprise Merger	3
			Securities & Futures Institute	Analysis of Important Issues regarding Recent Amendment of The Company Act	3

Job title	Name	Date of advanced study	Hosted by	Programs	Hours
Independent Director	Robert Hung	November 02, 2018	Taiwan Corporate Governance Association	The Effect on Taiwanese entrepreneurs by Trade Friction between China and US and Countermeasures; The Effect on the implementation of CSR (Taiwan version) and Countermeasures	3
		November 02, 2018	Taiwan Corporate Governance Association	The Effect on the Company and Directors by Recent Amendment of The Company Act and Countermeasures	3
		November 02, 2018	Taiwan Corporate Governance Association	Role of Directors during the Process of Enterprise Merger	3
Independent Director	Sean Chao	July 10, 2018	Securities & Futures Institute	Promotion Meeting on Compliance to internal equity transaction regulations	3
		July 13, 2018	Taiwan Corporate Governance Association	How the directors should accomplish "Loyal Obligation"	3
		September 19, 2018	Taiwan Corporate Governance Association	14th International Forum on Corporate governance	6
		November 22, 2018	Securities & Futures Institute	Analysis of Important Issues regarding Recent Amendment of The Company Act	3
Independent Director	Rex Yang	September 19, 2018	Taiwan Corporate Governance Association	14th International Forum on Corporate governance	6
		November 22, 2018	Securities & Futures Institute	Legal Responsibilities of Directors and Supervisors in Enterprise Merger	3
			Securities & Futures Institute	Analysis of Important Issues regarding Recent Amendment of The Company Act	3
Accounting Supervisor	Ming-Huang Chen	September 19, 2018	Accounting Research and Development Foundation	Advanced course for accounting supervisors on the Issuers of Taiwan Stock Exchange	12

2. Procedures for handling material inside information

The Company specially adopted "Procedures for handling materials inside information" to establish sound mechanisms for the handling and disclosure of material inside information and announced in public. These procedures shall apply to all directors, supervisors, managerial officers, and employees of the Company, any other person who acquires knowledge of the Company's material inside information due to their position, profession, or relationship of control shall comply with the applicable provisions of these procedures. The Company conducted educational campaigns to promote awareness with respect to these procedures and related laws and regulations.

<9> Implementation of the Company's internal control system

1. A statement of Internal Control

TSRC Corporation

A statement of Internal Control

Date: March 14, 2019

In accordance with the result of self-evaluation of the internal control system in 2018, the Company hereby declares as follows:

1. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managerial officers, and that the Company has already established such a system. The purpose is to provide reasonable assurance regarding the achievement of objectives such as the effectiveness and efficiency of business operations (including profitability, performance, and security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and by laws.
2. There is limitation inherent to internal control system, no matter how perfect the design is. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the Company features the self-monitoring mechanism. Once identified, any shortcomings will be corrected immediately.
3. The Company judges the effectiveness of the internal control system in design and enforcement in accordance with the "Criteria for the Establishment of Internal Control System of Public Offering Companies" (hereinafter referred to as "the Criteria") promulgated by the Securities and Futures Commission of the Ministry of Finance. The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control is composed by five elements, namely, 1. Control Environment 2. Risk Evaluation 3. Control Operation 4. Information and Communication and 5.Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
4. The Company has adopted the above criteria for the internal control system to assess the effectiveness of the design and operation of its internal control system.
5. In accordance with the aforesaid evaluation result, the Company believes that the internal control system as of December 31, 2018 (supervision and management over subsidiaries), including understanding the effect of operation, the attainment rate and report of the efficiency goal are reliable, timely, and transparent, and the design and implementation of the internal control system are in compliance with the regulations and effective and reasonably ensure the attainment of the aforesaid goals.
6. This statement of declaration shall form an integral part of the annual report and prospectus on the Company and will be announced. If there is any fraud, concealment and illegal practice discovered in the content of the aforementioned information, the Company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on March 14, 2019 with presence of 9 directors at unanimous consent.

TSRC Corporation

Chairman: Nita Ing

CEO: Joseph Chai

2. Hiring CPA to carry on a special audit of the internal control system: No

<10> Any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements in 2018 and until the annual report being published: No

<11> The important resolutions made by shareholders' regular meetings and board of directors' meeting in 2018 and until the annual report being published.

1. The important resolutions made by shareholders' regular meetings in 2018	The status of implementation
(1) Recognition of the Company's business report and financial statements for 2017	Resolution passed
(2) Recognition of the allocation of earnings for 2017	With an ex-tight record date of July 24, 2018 as determined by the Board of Directors, the cash dividend of NTD 0.96 per share was paid on August 16, 2018
(3) Approved the amendment of "articles of incorporation"	Resolved. Registered by competent agencies on July 12, 2018.
(4) Approvedthe amendment of "Procedure for the Acquisition or Disposal of Assets"	Resolved. Executed based on the resolution approved in the shareholders´ meeting.
(5) Approved the amendment of "Procedures for Endorsement and Guarantee"	Resolved. Executed based on the resolution approved in the shareholders´ meeting.
(6) Approved the amendment of "Procedures for Lending of Capital"	Resolved. Executed based on the resolution approved in the shareholders´ meeting.
(7) Approved the amendment of "Regulations for Election of Directors"	Resolved. Executed based on the resolution approved in the shareholders´ meeting.
(8) Elected the 16th Board of Directors of the Company	Effected after the resolution approved in the shareholders´ meeting
(9) Call off the restriction on non-compete agreement for 16th Board of Directors	Effected after the resolution approved in the shareholders´ meeting

2. Important resolutions made by board of directors' meetings	
Date	Important resolutions
June 21, 2018	Elect director, Nita Ing as the chairman. New member list for Audit Committee and Remuneration Committee of the Company.
June 26, 2018	Approved the ex-dividend date of distribution of shareholders' equity and distribution date by resolution.
August 10, 2018	Approved the change in spokesman and deputy spokesman of the Company by resolution.
November 14, 2018	Approved to call off the restriction on non-compete agreement for managers The Company made an announcement in accordance with Subparagraph 4, Paragraph 1, Article 25 of "Regulations Governing Loaning of Funds and Making of Endorsements/Guarantees by Public Companies".
November 19, 2018	Approved to call off the restriction on non-compete agreement for managers
March 14, 2019	Approved the shareholders' regular meeting for 2018 should be called. Approved the allocation of earnings for 2018 should be approved.

<12> Whether any director or supervisor has shown dissent against any important resolution made by the Board of Directors, which is also included in a written statement or recorded resolution in 2018 and until the annual report being published : None

<13> A summary of resignations and dismissals of the chairman, general manager, accounting manager, chief financial officer, chief of internal auditor and director of research and development in 2018 and until the annual report being published:

Job title	Name	Start Date	Date of Dismissal	Reason
Chairman	Shao Yu Wang	June 10, 2015	June 21, 2018	Retirement by self-request

IV. Information on CPA professional fee

<1> Information about audit fee and non-audit fee paid to CPA and accounting firms

Unit: thousand NTD

Name of the accounting firm	Name of the CPA	Audit fee	Non-audit fee					CPA's audit period	Remarks
			System design	Industrial & commercial registration	Human resource	Other	Subtotal		
KPMG Taiwan	Po Shu Hung Ann Tine Yu	5,630	0	0	0	540	540	January 1, 2018 to December 31, 2018	Other items of non-audit fees are mainly the result of business tax directly deducting certificate fees

	Items / Escalation of Professional fee	Audit fee	Non-audit fee	Total
1	2,000,000 below		V	
2	2,000,000 (inclusive of 2,000,000)-4,000,000			
3	4,000,000 (inclusive of 4,000,000)-6,000,000	V		
4	6,000,000 (inclusive of 6,000,000)-8,000,000			V
5	8,000,000 (inclusive of 8,000,000)-10,000,000			
6	10,000,000 (inclusive of 10,000,000) above			

<2> Non-audit fees paid to the CPA, to the accounting firm, and/or to any affiliated enterprise of such accounting firm are one quarter or more of the audit fees paid thereto.: None

<3> The audit fees paid for changing the accounting firm and the change of the fiscal year has decreased compared to the previous year : Not applicable

<4> If the audit fees paid for the current fiscal year are lower than those for the previous fiscal year by 15 percent or more. : Not applicable

V. V. Information on replacement of CPA-None

VI. VI. Chairman, president, or managers in charge of the Company's finance or accounting matters has in the most recent year held a position at the accounting firm of a CPA or any of its affiliated Company-None

VII. Information on equity of directors, managers and shareholders holding more than 10% of outstanding shares equity transfer and equity pledge movements

Job title	Name	2018		As of February 28, 2019	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Nita Ing	-	-	-	-
Director Corporate representative of the director Corporate representative of the director	Hao Ran Foundation Statutory Nita Ing Chin-Shan Chiang	- - -	- - -	- - -	- - -
Director Corporate representative of the director Corporate representative of the director Corporate representative of the director	Metacity Development Corporation Jing-Lung Huang Tzu Wei Lee John T. Yu	- - - -	- - - -	- - - -	- - - -
Director Corporate representative of the director	Wei Dah Development Co.,Ltd. Tsai-Der Chen	- -	- -	- -	- -
Independent Director	Robert Hung	-	-	-	-
Independent Director	Sean Chao	-	-	-	-
Independent Director	Rex Yang	-	-	-	-
CEO	Joseph Chai	-	-	-	-
Sr. Vice President	Wing-Keung Hendrick Lam	-	-	-	-
Vice President	R. L. Chiu	-	-	-	-
Vice President	Edward Wang	-	-	-	-
Vice President	Qiwei Lu	-	-	-	-
Vice President	Kevin Liu	-	-	-	-
Vice President	Alison Tung	-	-	-	-

Remark: The Company made a complete re-election on June 21, 2018.

Information on the transfer or pledge of equity interests:
The counterparty in the above transfer or pledge of equity interests by a director, managerial officer, or major shareholder is not a related party. Therefore, no information disclosure is required.

VIII. Relationship information, if among the Company's ten largest shareholders any one is a related party as defined in the Statement of Financial Accounting Standards No. 6

July 24, 2018

Name	Share(s) held personally		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Names and relationship of any of the top ten shareholders and their spouses or relatives of 2nd degree of relationship who are related defined in the Statement		Remarks
	Share(s)	(%)	Share(s)	(%)	Share(s)	(%)	Name/name	Relationship	
Panama Banco industrial Company	69,524,417	8.4	0	-	0	-	NO	NO	
Hao Ran Foundation Chairman: Nita Ing	60,171,319	7.3	0	-	0	-	NO	NO	
Wei Dah Development Co.,Ltd. Chairman: Jing-Lung Huang	53,708,923	6.5	0	-	0	-	Metacity Development Corporation	Chairman of the same person	
Formosa Plastics Marine Corporation Responsible person: Wen-Chao Wang	41,201,000	5.0	0	-	0	-	NO	NO	
Cathay Life Insurance Co. Ltd.Responsible person: Tiao-Huei Huang	40,854,000	4.9	0	-	0	-	NO	NO	
CITI bank Taiwan branch in custody for Government of Singapore Investment Fund	36,676,332	4.4	0	-	0	-	NO	NO	
Tamerton Group Limited	34,578,143	4.2	0	-	0	-	NO	NO	
Fubon Life Insurance Co.,Ltd.Chairman: Richard M. Tsai	31,426,050	3.8	0	-	0	-	NO	NO	
Metacity Development Corporation Jing-Lung Huang	31,093,108	3.8	0	-	0	-	Wei Dah Development Co.,Ltd.	Chairman of the same person	
Fu Da South Korea-Asia Securities investment account hosted by HSBC	16,121,000	2.0	0	-	0	-	NO	NO	

IX. The total number of shares and total equity stake held in any single enterprise by the Company, its directors, managers and any companies controlled either directly or indirectly by the Company

Investees (Note)	Investment by the Company		Investment by directors, managers and enterprises directly or indirectly controlled by the Company		Total investment	
	Share(s)	(%)	Share(s)	(%)	Share(s)	(%)
Trimurti Holding Corporation	86,920,000	100.00	-	-	86,920,000	100.00
Hardison International Corporation	3,896,305	100.00	-	-	3,896,305	100.00
Dymas Corporation	1,161,004	19.48	4,798,566	80.52	5,959,570	100.00

Note: the Company's investment accounted for under equity method

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Information on capital raising activities

I. Capital and shares

<1> Source of capital stock

March 20, 2019

Year/ month	Issue price (NTD)	Authorized stock capital		Paid-in capital		Remarks		
		Shares(s) (1,000 shares)	Amount (NTD1,000)	Shares(s) (1,000 shares)	Amount (NTD1,000)	Source of stock capital	Property other than cash offset against capital	Other
July 1973	10	20,000	200,000	5,100	51,000	Incorporation of Company		
June 1974	10	20,000	200,000	13,200	132,000	Increase of 51,000,000 NTD	Technical cooperation remuneration transferred to capital stock 30,000,000 NTD	
February 1975	10	20,000	200,000	20,000	200,000	Increase of 61,928,000 NTD	Technical cooperation remuneration transferred to capital stock 6,072,000 NTD	
November 1975	10	40,000	400,000	30,000	300,000	Increase of 100,000,000NTD		
December 1975	10	40,000	400,000	40,000	400,000	Increase of 100,000,000NTD		
July 1976	10	60,000	600,000	50,000	500,000	Increase of 100,000,000NTD		
April 1977	10	60,000	600,000	54,000	540,000	Increase of 40,000,000NTD		
July 1980	10	110,000	1,100,000	73,238	732,380	14,000,000 NTD transferred from earnings 52,380,000 NTD transferred from capital		
September 1981	10	110,000	1,100,000	92,300	923,000	Increase of 16,980,000 NTD 173,640,000 NTD transferred from earnings		Issue date: May 18,1981
April 1982	10	120,000	1,200,000	116,000	1,160,000	Increase of 135,470,000 NTD 101,530,000 NTD transferred from capital		Listed date:September 25, 1982
October 1983	10	121,800	1,218,000	121,800	1,218,000	58,000,000 NTD transferred from capital		
September 1984	10	145,000	1,450,000	127,890	1,278,900	60,900,000 NTD transferred from capital		
August 1985	10	145,000	1,450,000	140,679	1,406,790	63,945,000 NTD transferred from earnings 63,945,000 NTD transferred from capital		
September 1986	10	164,200	1,642,000	164,200	1,642,000	Increase of 80,463,000NTD 119,577,000 NTD transferred from earnings 35,170,000 NTD transferred from capital		
July 1987	10	201,966	2,019,660	201,966	2,019,660	344,820,000 NTD transferred from earnings 32,840,000 NTD transferred from capital		
August 1988	10	238,319	2,383,199	238,319	2,383,199	363,539,000 NTD transferred from earnings		
August 1989	10	274,068	2,740,679	274,068	2,740,679	357,480,000 NTD transferred from earnings		

108 年 3 月 20 日

Year/ month	Issue price (NTD)	Authorized stock capital		Paid-in capital		Remarks		
		Shares(s) (1,000 shares)	Amount (NTD1,000)	Shares(s) (1,000 shares)	Amount (NTD1,000)	Source of stock capital	Property other than cash offset against capital	Other
October 1991	10	306,956	3,069,560	306,956	3,069,560	328,881,000 NTD transferred from earnings		
August 1995	10	550,000	5,500,000	369,700	3,697,000	627,440,000 NTD transferred from earnings		
July 1997	10	550,000	5,500,000	502,900	5,029,000	1,332,000,000 NTD transferred from earnings		
July 1998	10	750,000	7,500,000	580,487	5,804,870	775,870,000 NTD transferred from earnings		Authorized stock capital includes convertible corporate bonds totaling 10 million shares
July 1999	10	750,000	7,500,000	609,511	6,095,114	290,244,000 NTD transferred from earnings		June 29, 1999 Approved by the official letter under (88) Tai-Tsai-Cheng (1) No. 59287
June 2006	10	750,000	7,500,000	649,909	6,499,095	403,981,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 0950124967 dated June 20, 2006
June 2011	10	900,000	9,000,000	714,900	7,149,004	649,909,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1000028593 dated June 22, 2011
June 2012	10	900,000	9,000,000	786,390	7,863,904	714,900,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1010027239 dated June 19, 2012
June 2014	10	900,000	9,000,000	825,709	8,257,099	393,195,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1030023928 dated June 25, 2014

March 20, 2019

Type of shares	Authorized stock capital (shares)			Remarks
	Listed Shares	Non-listed shares	Total	
Common stocks	825,709,978	74,290,022	900,000,000	
Preferred stocks	-	-	-	

Information related to general report system-Not applicable

<2> Shareholders' structure

July 24, 2018

Shareholder's Structure / Quantity	Government Agencies	Financial Institutions	Other juridical persons	Individual	Foreign Institutions & Natural Persons	Total
Number of persons	4	21	137	73,255	274	73,691
Share(s)	560,031	80,530,726	210,625,711	243,189,360	290,804,150	825,709,978
Stake(%)	0.07	9.75	25.50	29.46	35.22	100.00

<3> Diffusion of ownership

Par value NTD10/ July 24, 2018

Range of shares held	Number of shareholders	Shares held	Stake (%)
1- 999	38,037	7,535,442	0.91
1,000- 5,000	25,090	54,746,945	6.63
5,001- 10,000	5,501	39,053,190	4.73
10,001- 15,000	2,033	24,869,986	3.01
15,001- 20,000	940	16,602,546	2.01
20,001- 30,000	896	21,840,569	2.65
30,001- 50,000	590	22,921,412	2.78
50,001- 100,000	343	23,874,913	2.89
100,001- 200,000	140	18,378,355	2.23
200,001- 400,000	52	13,873,086	1.68
400,001- 600,000	18	8,772,936	1.06
600,001- 800,000	8	5,496,489	0.67
800,001- 1,000,000	6	5,401,894	0.65
1,000,001 above	37	562,342,215	68.10
Total	73,691	825,709,978	100.00

Preferred stocks shares- The Company does not issue preferred stocks shares.

<4> Major shareholders

July 24, 2018

Shares / Shareholders	Shares held	Stake (%)
Panama Banco Industrial Company	69,524,417	8.4
Hao Ran Foundation Statutory	60,171,319	7.3
Wei Dah Development Co.,Ltd.	53,708,923	6.5
Formosa Plastics Marine Corporation	41,201,000	5.0
Cathay Life Insurance Co. Ltd.	40,854,000	4.9
CITI bank Taiwan branch in custody for Government of Singapore Investment Fund	36,676,332	4.4
Tamerton Group Limited	34,578,143	4.2
Fubon Life Insurance Co. Ltd.	31,426,050	3.8
Metacity Development Corporation	31,093,108	3.8
Fu Da South Korea-Asia Securities investment account hosted by HSBC	16,121,000	2.0

<5> Share price, net worth per share, EPS, dividends per share and related information

Unit: NTD

Item			Fiscal year 2018	2017	As of Feburary 28,2018
Market price per share	Maximum		37.95	39.50	28.65
	Minimum		26.55	30.65	26.70
	Average		31.26	34.62	27.68
Net worth per share	Before distribution		18.54	18.02	-
	After distribution		(Note1)	17.58	-
Earnings per share	Weighted average share(s)		825,709,978	825,709,978	825,709,978
	EPS	Before adjustment	1.44	1.06	-
		After adjustment	(Note1)	1.06	-
Dividends per share	Cash dividend (Note 1)		0.98	0.96	-
	Dividends (Note1)	Dividend distributed from earnings	0	0	-
		Dividend distributed from additional paid-in capital	-	-	-
	Cumulative outstanding dividends(Note 2)		-	-	-
Cash dividend yield	Price-earnings (P/E) ratio (Note 3)		21.71	32.66	-
	Price-dividend (P/D) ratio(Note 4)		31.90	36.06	-
	Cash dividend yield(Note 5)		3.13%	2.77%	-

Note 1: The dividends for 2018 have not yet resolved by the shareholders' meeting.

Note 2: Requirements for issue of securities provide that the unappropriated dividends in the current year may be cumulative and distributed in the year of earnings, and only the outstanding cumulative dividends in the current year shall be disclosed.

Note 3: P/E ratio=yearly average closing price per share/EPS

Note 4: P/D ratio=yearly average closing price per share/Cash dividend per share

Note 5: Cash dividend yield=cash dividend per share/yearly average closing price per share

<6> Dividend policy and implementation status

1. Dividend policy

The industry operated by our Company has entered a mature and stable stage. Currently, we are striving towards globalization, diversification development actively to meet the long-term plan of the Company and the sustainable growth of the enterprise. The dividend policy of the Company is formulated as follows: if there is surplus left after annual settlement, then 10% will be extracted for statutory surplus reserve after paying all the taxes in accordance with law and compensation of loss in previous years; next, special surplus serve will be proposed or turned around in accordance with Securities and Exchange Act; the remaining amount plus the surplus for distribution in the previous period can supply the surplus for distribution in this year. Hence, surplus distribution plan can be proposed for the distribution of surplus.

If the previous dividend for shareholders has been distributed, then the cash dividend should not be lower than 20% of the total distributed amount.

The aforementioned surplus distribution plan is drafted by the board of directors and will be proposed in the shareholders' meeting for final resolution.

1. Distribution of dividends scheduled at the shareholders' annual meeting
Cash dividends to be distributed are NTD 0.98 per share.

<7> Effect upon business performance and EPS of stock dividend distribution plans drafted at the shareholders' annual meeting:Not applicable.

<8> Employees' compensation and directors' remuneration

1. The percentage or scope of employee and director remuneration provided in the Corporate Charter.
If the Company has profits in the fiscal year, the Company shall appropriate 1% or more of the profits as the employee remuneration and 1% or less as the director remuneration.
The appropriable remuneration amount for directors and the regulations governing employee remuneration shall be implemented in accordance with the resolution of the Board of Directors.
2. In 2018, the basis for the Company to estimate the amount of employees' compensation and directors' remuneration, and the actual distributed amount are applied at the ratios as specified by the Company's articles of incorporation. No discrepancy exists between
the actual distributed amount and the estimated figure.
3. Information on any distribution of compensation proposal approved by the Board of Directors:
(1) NTD 64,290 thousand distributed as employees' compensation and NTD 14,064 thousand as directors' remuneration, which has no difference with the estimated amount of the annual recognized expense.
(2) Not applicable since no shares are distributed as employees' compensation by the Company this year.
4. The actual distribution of the remuneration of employees, directors and supervisors in the previous year:
The Company distributed NTD49,732 thousand for the remuneration for employees and NTD 9,558 thousand for the remuneration for directors by cash, which has no difference with the estimated amount of the annual recognized expense.

<9> Share repurchases: None

II. Corporate bonds - None
III. Preferred shares - None
IV. Global depository receipts - None
V. Employee stock warrants- None
VI. new restricted employee shares - None
VII. Merger, acquisition and issuance of new shares due to acquisition of shares of the Company - None
VIII. Implementation of capital allocation plans- None

Overview of business operations

I. Description of businesses

<1> Business Scope

1. **Major business and product lines:**
   The business focuses on-developing, manufacturing and selling various synthetic materials, including:
   (1)Synthetic rubber and elastomers: E-SBR, S-SBR, BR and TPE
   (2)Applied Materials: Material Mixtures
2. **Product Portfolio**

Unit: thousand NTD

Items	Revenue in 2018	Total Turnover(%)
Synthetic rubber and elastomers	28,059,773	94.31
Applied materials	1,691,445	5.69
Total	29,751,218	100.00

3. **Planned Developments of New Products**

1 Continuously develop microstructure control technology platform for next generation of S-SBR products and build partner ship with customer to joint development in customized products.

2 Develop differentiated application for the SBC products, such as high-end medical materials, customize shoe materials, thin printing and protective film, lubricant viscosity modifier, etc.

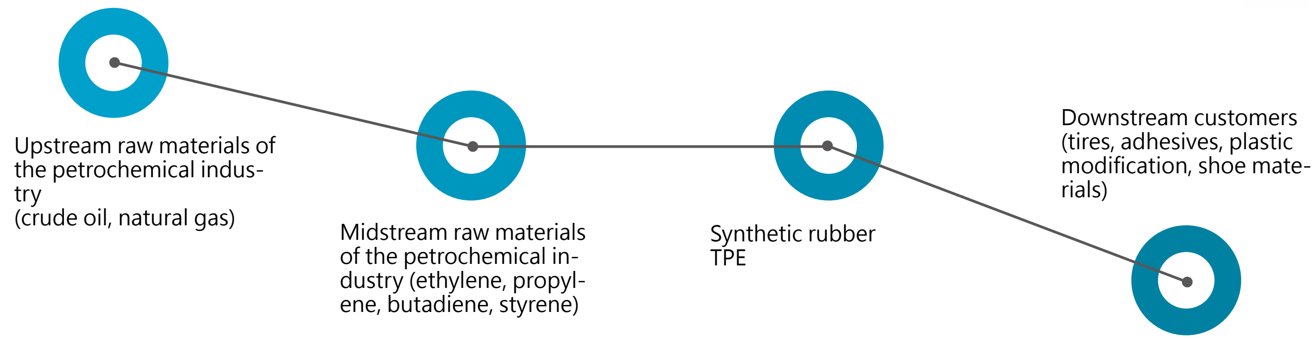
3 Built new BR technology platform for the development of new products to satisfy the needs of the HIPs customers to improve the processing properties of tires and enhance rolling resistance performance.

4 Contentiously build the optimal process technology and integrate into the new factory design with the highest quality products.

<2> Industry Overview:

1. **Global Economic Environment**
   Global economic growth is expected to slow down in 2019 as the trade tensions may cause more challenges for the global economy. Except the emerging markets are projected to grow at 2018 level, major economies such as the United States, Eurozone, China, and Japan are projected to have lower economic growth than 2018. According to Taiwan Institute of Economic Research (TIER), Taiwan GDP growth rate is forecast at 2.20% for 2019,down from 0.37% in 2018, given its nature of the high dependence on global economy. The United States growth momentum is expected to slow due to the expectation that the benefits of its tax reform will start to erode in 2019. The U.S. Federal Reserve (FED) announced it will be patient and careful before adjusting interest rates as it waits to assess how global risks impact the domestic economy. In response to the unstable global economic environment, economists have suggested other countries such as Europe and Japan should reconsider the pace of raising interest rates or even maintain monetary policies. Furthermore, considering Britain's turbulent exit from the European Union, Italy's struggle with its high spending budget plan and the US economic policies, International Monetary Fund (IMF) and Organization of Economic Co-operation and Development (OECD) project Eurozone economic growth rate to decrease to 1.90% in 2019. As for China and India, IMF predicts China's economic growth to decline to 6.20% and India's to accelerate to 7.40% in 2019 compared to that in 2018. While a more challenging external trade environment is expected for China in 2019, India's economic performance is anticipated to benefit from the structural reforms and lower crude oil prices.The price of crude oil surged since the beginning of 2018 owing to geopolitical instability, fluctuated, and plummeted in the end of year. Although OPEC and its allies have reached an agreement to cut oil production by 1.2 million barrels per day for the first half of 2019, market response revealed concerns whether the supply cut is enough to stabilize the oil market. The increase of US shale oil output in 2019 will further impact the oil price, causing crude oil price to continue its downtrend in 2019. Moreover, the pace of monetary tightening by the major central banks and the extent of interest rate hikes could place uncertainties to the economy in emerging market countries with the potential capital outflow and strained liquidity in 2019. Looking at global economic outlook for 2019, uncertainties over trade dispute, currency, oil price, and the performance of major economies may intensify the turbulence in the global economic growth.

2. **Relevance of the industry's upstream, midstream and downstream:**



Upstream raw materials of the industry are crude oil and natural gas. Midstream raw materials refer to raw materials produced by cracking "petrochemical primary raw materials" e.g. naphtha, followed by reactions such as polymerization, oxidation, and synthesization. The downstream of petrochemical industry processes midstream raw materials to produce plastics, chemical fibers, rubbers, and other chemical products such as tires, plastic modification, adhesives,shoe materials and other industrial goods.

3. **Current Industry Status and Outlook:**
Global economy went through significant changes in 2018 with trades and industry supply chain negatively impacted by the trade disputes among countries. Demand growth in global market slowed down as a result of trade disputes, which draw close attentions from both public and private sectors.
Automotive sales in China was 27.68 million in 2018 with annual growth rate of -4%, which was the first decrease in more than 20 years, and mainly affected by the slowing growth of China economy. The breakdown of the car sales includes 23.99 million with annual growth rate of -5% for passenger cars was and 4.29 million with annual growth rate of 2.4 % for commercial cars. The growth of commercial cars benefited from the new emission standard in China. In Japan, 5.27 million cars were sold in 2018 with annual growth rate of 1%. The overall slowdown of automotive demand in Asia and the negative impact from the abundant low-priced natural rubber the second half of 2018 contributed to the slight decrease of TSRC synthetic rubber sales in 2018 versus 2017. At the same time, the vertically integrated synthetic rubber competitors drove down the price of synthetic rubber to maintain high upstream capacity utilization rate. The headwind in the market and competition suppressed the profitability of synthetic rubber business, despite the proactive efforts in growing overseas market.

The global demands for thermal plastic elastomers (TPE) maintained 4.2% growth in 2018 , while the competition intensified with the new capacities of hydrogenated thermal plastic elastomer (HSBC) in Asia coming online. In addition, the oversupply of other thermoplastic elastomers (SBS and SIS) continues. Besides the continued efforts in developing differentiated products, the Company sustains its competitiveness by strengthening long term relationships and collaborations with targeted customers in new technology and products. For the business of Applied Materials, the Company develops products with superior functionalities and promotes them for various applications, suchas shoes materials, automotive, hand tools, consumer electronics, medical products, etc. The growing emphasis on environment protection expects to expand the adoption of TPE materials by replacing PVC and conventional rubber materials due to its non-toxic, low environmental impacts during manufacturing, recyclable, and the unique balance between processability and elastic properties.

Looking into 2019, the International Monetary Funds (IMF) predicts global GDP to grow 3.7%. China Association of Automobile Manufactures (CAAM) estimates 2019 China car market to be at the same level as 2018. LMC predicts the car sales in Asia outside China to grow 3.2% in 2019. In light of the slow growth of tires and synthetic rubber market demand due to end-market demand, TSRC is dedicated to new product development to enrich business portfolio for synthetic rubber business. For TPE business, the uncertainty from the trade disputes remains critical to the market demand projection. Particularly in Asia, the newly onstream SEBS capacities in 2018 are expected to further intensify the competition. TSRC has diversified TPE market globally and production capacity in China, Taiwan, and the US to minimize the impact of trade dispute and newly added industry capacity.

<3> Overview of technology and R&D

1. R&D expenses

Unit: thousand NTD

2. Successfully developed technology or products

Item	Result
Patents	6 patents granted this year.
Development of S-SBR products	Completed functionalization modification and successfully applied in the next generation products.
Development of green and ecofriendly rubber materials	Commercialized green and eco friendly BR and E-SBR products and received positive confirmation from leading companies in plastic modification, tire and shoe materials.
Development of new generation HSBC products	Completed the development of materials for next generation medical applications, graphic printing films, protective films, foaming and auto component.
Development of leading processing technology	Implemented new process technology in upgrading existing factories and new factory design.

<4> Long-Term and Short-Term Business Development Plans

In response to the rise of global awareness of Corporate Social Responsibility (CSR), our research and development is focused on developing high value-adding products and technologies with advanced eco-friendly production processes in order to deliver customer satisfactions, solve problems concerning customers' applications of rubbers, and create mutual values. The business development plan includes:

1. **Long-Term Plan:**
   (1) Continue develop technology platforms and applications of TPE materials, strengthen competitive advantages, through product differentiation, incorporate downstream customers' needs and develop high value-adding applied materials.
   (2) Establish communication platform with key customer's development team to jointly develop high quality innovative products.
   (3) Upgrade manufacturing equipment and ingredients to improve production efficiency and optimize production costs. Continue quality improvement of existing products through production process optimization.
   (4) Assess opportunities to establish strategic alliance with companies in the downstream and upstream, strengthen technical service capability, and create opportunity for technical exchange and cooperation in commercial applications.
   (5) Evaluatethe global value chain development and customers needs of synthetic rubber industry while exploring opportunities in new products/new market/new applications.
   (6) Continue the technical exchanges and collaboration with the academic sector and customers to enhance product value improve process technology via contracted research by the academic sector.
   (7) Optimize resource deployment to increase new product sales and profit , including assessing the integration of Applied Materials in Greater China business operation for incremental economic values.

2. **Short-Term Plan:**
   (1) Complete the construction of the new 20 thousand metric tons per year advanced SEBS line in Nantong, China, successfully coming on-stream in end 2019.
   (2) Expand the adoption of advanced shoe materials with the brand companies and complete the construction of Advanced shoe materials seven thousand metric tons per year production line in Binh Duong Province of Vietnam.
   (3) Execute the strategy to strengthen technology platforms and customers insights to develop high value-adding products and applications , including advanced shoe materials and medical TPE materials, to enrich product portfolio and market segment.
   (4) In response to the green tire labels policy, establish a dedicated S-SBR R&D project team to focus on the development and promotion of S-SBR products with low rolling resistance and wet grip.
   (5) Continue exploring opportunities in new products, new markets and new business model and conduct feasibility assessment.
   (6) Enhance customers' capability and value chain with products of high quality, high differentiation, highly value-adding, and appropriately targeted market segment.
   (7) Continue strengthening TSRC global supply chain to meet customers' need worldwide by optimizing the sales operation and logistics.

II. Analysis of the market as well as the production and marketing situation

<1> Market Analysis

1. Major sales destinations

Unit: thousand NTD/Metric Ton

Name of product	2018		Exported territories
	Sales volume	Sales amount	
Synthetic rubber and elastomers	439,655	28,059,773	China, U.S.A., Thailand, Germany, Turkey, Japan, Italy
Applied materials	12,955	1,691,445	China, South East Asia, and U.S.A.

2. Market share:

Synthetic rubber and elastomers	Asia is the major market accounting for 69% of the total sales, awhile Americas and Euro-zone account for 16% and 12% of total sales respectively.
Applied materials	Vietnam is the main market accounting for 46% of total sales, while the second largest market is Greater China, representing 36% of total sales

3. Industry demand supply and market growth projection

International Monetary Fund (IMF) predicts the global economic growth rate as 3.7% for 2018 and 2019, lowered from 3.9% as predicted in April. This is also the first downward adjustment since July 2016. The global economic prospects see higher risks in trade friction and higher-than-expected interest hike. Similarly, world bank adjusted China growth rate in 2019 from 6.5% to 6.2% due to trade dispute. The global economy is highly uncertain and susceptible to negative impacts in areas such as potential financial tightening and rising interest rate, increase in global protectionism, unclear economic policy in China, extreme climate change, and geopolitics tension or conflicts. Therefore, a close attention to downstream demand changes is required.

There is no new production capability of E-SBR in Asia in 2019 according to LMC research institute , while capacity utilization rate is expected to be lowered due to the replacement in tire production by low price nature rubbers. On the other hand, BR capacity utilization rate is expected to be stable in 2019 with higher demand in non-tire applications and new capacity coming onstream in China and Indonesia. New SEBS capacities came onstream in Asia in 2018 and leads to oversupply and pricing pressure in 2019. The Company plans to improve profitability by optimization customer mix, product portfolio and production scheduling.

4. Competitive positioning, future development factors and actions

Global economic growth and new car sales are highly uncertain due to the on-going trade dispute. The Company is aggressively pursue the new business in southeast Asia and the US, while continuing to grow in India through our joint venture company (ISRPL) locally.

The Company is the market leader in TPE materials with a comprehensive offering of SBC polymers and Applied Materials. We continue to expand service network in Asia, Europe and America to provide consistently reliable solutions and timely technical services. Furthermore, we are dedicated to creating product differentiation and accelerating the transitioning to high-value application markets. Multiple new products were recently developed with selected customers, such as medical TPE materials and non-linear structure SIS polymers for specialty and reusable adhesives. T-blend® products, our highly value-adding downstream TPE offering, are developed with global brand company for specific end-market applications, such as shoes materials, soft materials, and hot-flow needle injection materials.

<2> Important application and manufacturing processes of main products

1.Main product important use:

E-SBR	General material for car tires, soles, conveyor belts, hoses, sport facilities, toys and other industrial products.
S-SBR	Energy-saving (low rolling resistance) tires, high-function tires, snow tires and all-season tires.
BR	High-speed tires, soles, sport facilities, High Impact polystyrene (HIPS) and other industrial products.
TPE	Adhesives, hot-melt adhesive, plastic modification, medical firms, and other industrial products for special applications.
Applied Materials	Advanced shoe materials, foamed shoe materials, toys, stationery, wire and cable, baby supplies, personal care, hand tools covering, materials, car industry and other industries such as refrigeration.

2.Outline of production process:

E-SBR	E-SBR is produced in an emulsion polymerization system. Soap is used as the reaction agent for the polymerization of butadiene and styrene to produce high molecular glue. Then, after the addition of anti-oxidant and extender oil (for oil-extended rubber products), the coagulation crumb is then washed, dewatered, dried, baled and packaged.
S-SBR	S-SBR is produced in a solution polymerization system. Soap is used as the reaction agent for the polymerization of butadiene and styrene to produce high molecular glue. Then, after the addition of anti-oxidant and extender oil (for oil-extended rubber products), the coagulation crumb is then washed, dewatered, dried, baled and packaged.
BR	BR is produced in a solution polymerization system. Crumb is made after polymerization of butadiene (BD), and is condensed into pallets, ash content is washed off and then dewatered and packed.
TPE	TPE is produced in a solution polymerization system. Crumb is made after polymerization of butadiene and after being steamed to recall solvent, it is dewatered, pelleting and then packed.
Applied Materials	TPE products and other raw materials are mixed, blended and granulated.

<3> Supply of main raw materials

The synthetic rubber produced by the Company is mainly polymerized from butadiene and styrene within the petrochemical products.

Item	Main source	Supply situation
Butadiene	Domestic, imports	Domestic butadiene is primarily supplied by CPC and FPCC and imported in the case of the short supply.
Styrene	Domestic	Styrene is primarily supplied by TSMC, FCFC and GPPC

<4> Suppliers (Customers) accounting for 10% or more of the Company's total procurement (sales) amount in either of the most recent two fiscal years, the amounts bought from (sold to) each, and the percentage of total procurement (sales) respectively, and reasons for increase/decrease

1. Major suppliers accounting for 10% or more in procurement in the past two years

Unit: thousand NTD

Item	2018				2017			
	Suppliers	Value	Total net procurement (%)	Relation to the issuer	Suppliers	Value	Total net procurement (%)	Relation to the issuer
1	Company A	2,891,681	12	None	Others	27,283,635	100	-
2	Other	22,082,477	88		-	-	-	-
	Net procurement	24,974,158	100		Net procurement	27,283,635	100	
The reasons for changes in amount		The number of suppliers has been decreased. The ratio of Company A accounted for net procurement of the year has increased to over 10%.						

2. There are no customers accounting for 10% or more of the Company's total sales value in the recent two fiscal years.

<5> Production volume for the most recent two fiscal years

Unit: thousand NTD/Metric Ton

Product	2018			2017		
	Capacity	Output	Output value	Capacity	Output	Output value
Synthetic rubber and elastomers	561,600	446,816	24,202,460	562,892	490,507	27,853,645
Applied materials	23,260	17,651	1,243,699	20,759	14,009	620,888
Total	584,860	464,467	25,446,159	583,651	504,516	28,474,533

<6> Volume of units sold for the most recent two fiscal years

Unit: thousand NTD/Metric Ton

Product	2018				2017			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Synthetic rubber and elastomers	308,978	19,352,451	130,677	8,707,322	340,517	21,694,549	134,238	9,219,258
Applied materials	5,186	444,112	7,769	1,247,333	5,205	416,298	3,496	415,496
Others	-	-	-	-	-	20,636	-	-
Total	314,164	19,796,563	138,446	9,954,655	345,722	22,131,483	137,734	9,634,754

III. Employees information

Year		2018	2017	February 28, 2019
Direct workers		829	779	836
Indirect workers		716	702	711
Total of employees		1,545	1,481	1,547
Average age		39.9(years old)	39.7(years old)	40.0(years old)
Average seniorities		10.4(years)	10.4(years)	10.2(years)
Education level (%)	Ph.D.	1	1	2
	Master	13	13	12
	Bachelor	64	63	65
	Senior high school	19	19	18
	Below senior high school	3	4	3

IV. Disbursements of environmental protections

Losses for environmental pollution

	2018	Till February 28, 2019
Pollution (Type and procedure)	1. April 26, 2018 Kaohsiung Environmental Protection Bureau performed a sampled inspection on equipment components without notice in advance. The leakage value of equipment components exceeds "the control and emission standard of volatile organic compounds for equipment components in Kaohsiung". Therefore, NTD 100,000 fine has been executed. 2. July 9, 2018 Audit Team in South Region Environmental Protection Bureau performed a sampled inspection on equipment components without notice in advance. It was found that the leakage value of equipment components exceeds "the control and emission standard of volatile organic compounds for equipment components in Kaohsiung". Therefore, NTD 200,000 fine has been executed. 3. December 3, 2018 Kaohsiung Environmental Protection Bureau performed a sampled inspection on equipment components without notice in advance. Our "VOCsinspection for the separation valve of pipe lines for recycle water remover", which exceeds "the control and emission standard of volatile organic compounds for equipment components in Kaohsiung". Therefore, NTD 100,000 fine has been executed. 4. December 3, 2018 Audit Team in South Region Environmental Protection Bureau has performed a sampled inspection on equipment components without notice in advance. Our "VOCsinspection for bottom square Cover of Y-shape filter net of BD CHARGE HEAD pipe line", which exceeds "the control and emission standard of volatile organic compounds for equipment components in Kaohsiung". Therefore, NTD 100,000 fine has been executed. 5. December 3, 2018 Kaohsiung Environmental Protection Bureau performed a sampled inspection on management items of waste without notice in advance and found the flammable wastes in May exceeded the maximum monthly production volume in waste cleaning report over 10%. We did not submit changes in trash clearance plan within 15 days, which violated wastes cleaning law. Therefore, NTD 60,000 fine has been executed.	Kaohsiung Environmental Protection Bureau came to the factories and sampled "the status of air pollution" and "surrounding smell". Both satisfied the regulations.
Counterpart, or authority imposing fines	Kaohsiung Environmental Protection Bureau	None
Compensation and fines	NTD 560,000	Was not punished or fined by competent agencies

	2018	Till February 28, 2019
Adaption of improvement measures	1. Designate personnel to inspect 300 points of equipment components in all workshops on a weekly basis. 2. Revise down the protection value of VOCs inspection from 400 to 200ppm; find out the small amount of VOCs leakage due to ageing of washers earlier and then perform repair immediately to reduce the possibilities of large amount of leakage in components. 3. Weld as tight as possible for the budding of short tubes during yearly repair to reduce the use of leakage stoppage tape. 4. The possibilities of ageing of washers can be reduced by replacing the washers after uninstalling equipment components. 5. Relevant components of wastes are included into inspection region. 6. Engineering security sector performed 100 points sampled inspection and the associated infrared VOC side leakage in the easily leaking region in all workshops every month. 7. Trained and qualified personnel should perform inspection on equipment and confirm no leakage before acceptance if there is a replacement or repair on the equipment components of all processes. 8. Perform steam cooking by vapor fist before opening the tank of the equipment for cleaning to avoid the escape of VOCs. 9. Assist all workshops to build leakage map for equipment components every season and hold repair and improvement discussion meeting for leakage of equipment components every season. 10. Engineering security sector collected "Inspection data of equipment components during 2015-2018" of Kaohsiung factory and "statistical data of equipment components fined in Kaohsiung factory for the last 7 years" and assessed the risk level of leakage region and type for the components in all units; and increased the number of inspection points in high-risk regions. 11. Engineering security sector bought infrared VOCs detector (FLIR) in 2019 to accelerate the inspection speed of equipment components. 12. Engineering security sector changes the trash clearance plan immediately, which satisfies the regulations. 13. Review the Trash Clearance Act and enhance the knowledge of case officers to trash regulations.	Continue to maintain proper function of pollution protection equipment

V. Labor relations

<1> Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation, and measures for preserving employees' rights and interests:

1. **Employee benefit plans, continuing education, training, retirement systems, and the status of their implementation:**

On welfare measures: through our operation of the Employee Welfare Committee, in addition to providing employees national holidays (Dragon Boat Festival, Mid-Autumn Festival, and Chinese New Year), birthdays, Labor Day and other gifts outside, the "optional beneficiary policies" are implemented. According to the policies, the employees may combine the "benefits that comply" with their own requirement by means of their benefit credit tickets, including traveling and recreation activities, children's educational reimbursement, optional purchase of employees' welfare daily necessities, purchase of movie tickets, and leisure requisites to fulfill the benefits substantially.

As for the insurance, TSRC, in addition to the statuary labor and health insurance, also provide free group insurance to employees that covers family members of employees. As for the labor pension system, TSRC conduct the business in accordance with the Labor Standards Act and labor pension system. TSRC allocates a pension to the pension accounts of employees based on the pension actuarial report provided by actuaries every year. The gap between the estimated pension and actual pension amount for personnel who are qualified for retirement by the end of every year is allocated by March 31 of every year in accordance with the regulations, in order to protect the right of retirement of employees.

In respect of employees' training, the rules for employees' training are followed. The training plans are set based on the Company's business policies, units' requirements and relevant laws/regulations, and the general knowledge, professional skills and management ability programs for the newly recruited and employees are handled according to the plans. Meanwhile, the "life-time learning" goal is fulfilled through such training modes as OJT, Off-JT and SD, with the training fees in 2018 being to the value of NTD14,139,000. There were about 14,139 trainees. The average training fees per person were NTD9,200 and the training hours per person were 30 hours.

2. **Measures for preserving employees' rights and interests:**
Since the incorporation of the labor union, the Company has held meetings between employer and labor periodically, and negotiated for the laborers" interests and rights through formal meetings. In 2018, the Company held four meetings in total.
Furthermore, according to the Labor Standard Law and Accounting Handling Rules on Pension, the Company will contribute the pension fund to the employees' personal accounts in the Bank of Taiwan and Bureau of Labor Insurance on a monthly basis.
Meanwhile, the "Reserve Labor Pension Fund Supervisory Commission" will hold meetings to review the utilization of pension funds periodically to protect the retired employees' interests and rights.

<2> No loss sustained as a result of labour disputes by the Company in 2018 and until February 28, 2019.

<3> Estimated loss suffered by the Company due to labor disputes currently and in the future, and explanation measures

Since the Company's incorporation with the union, the relationship between employees and the Company has remained fair through the good interaction and communication between employees and the Company. Therefore, no significant dispute over labor has occurred, let alone the loss thereof. Therefore, the Company and employees will abide by the communication models to create a win-win situation when proceeding with communication, and there is no likelihood of any monetary loss resulting from labor dispute.

VI. Material contracts

Nature	Concerned party	Duration	Contents	Restrictive terms
Joint venture	UBE Industries Ltd., Marubeni Corporation UBE (Thailand) Co.,Ltd	October 20, 1995 until termination of the co-operative relationship	The joint venture for production and sale of BR with the annual capacity of 50 thousand metric tons of BR in Thailand	
Joint venture	UBE Industries Ltd., Marubeni Petrochemicals Investment B.V.	October 26, 2006 until termination of the co-operative relationship	The joint venture for production and sale of BR plant with the annual capacity of 72 thousand metric tons in China	
Technology supply and services	Trimurti Holding Corporation	December 31, 2006 until termination of duration of licensee	Authorize to use SEBS technology	
Technology license	JSC VORONEZHSYN-THEZKAUCHUK	May 27, 2009 until 10 years after the official production	Authorize for production of thermoplastic elastomers with the annual capacity of 50 thousand metric tons	
Joint venture	Indian Oil Corporation	April 3, 2010 until termination of the co-operative relationship	The joint venture for production and sales of ESBR plant with the annual capacity of 120 thousand metric tons in India	
Technology license	Indian Synthetic Rubber Private Ltd.	September 1, 2010 until termination of the cooperative relationship	A license for India Synthetic Rubber Private Limited. to use ESBR technology	
Joint venture	ARLANXEO Holding B.V	May 7, 2010 until termination of the co-operative relationship	The joint venture for production and sales of NBR plant with the annual capacity of 30 thousand metric tons in China	
Technology license	ARLANXEO–TSRC (Nantong) Chemical Industrial Co., Ltd	December 1, 2010 until termination of the cooperative relationship	A license for ARLANXEO-TSRC (Nantong) Chemical Industrial Co Ltd. to use NBR technology	
Technology license	TSRC (Nantong) Industrial Ltd.	January 1, 2012 to January 1, 2022	Extend to a 35 thousand metric tons-SEBS technology licensing	

Nature	Concerned party	Duration	Contents	Restrictive terms
Technology license	TSRC (Nantong) Industrial Ltd.	January 1, 2014 to December 31, 2023	Authorize to use SIS technology	
Technology license	TSRC (Nantong) Industrial Ltd.	September 1, 2017 to within ten years starting from the issuance of the first invoice of the new production line	Adding the permission for SEBS authorized products with the annual production of 20 thousand metric tons	
Medium-and long-term loan	Bank of Taiwan	August 28, 2014 to November 25, 2019	Loaned NTD 1,000 million	Loan amount cannot be drawn again.
Medium-and long-term loan	Taipei Fubon Bank	August 28, 2014 to September 25, 2019	Loaned NTD 500 million	Loan amount cannot be drawn again.
Medium-and long-term loan	Mega International Commercial Bank	October 3, 2014 to November 25, 2019	Loaned NTD 500 million	Loan amount cannot be drawn again.
Medium-and long-term loan	Bank of Taiwan	October 17, 2018 to November 23, 2021	Loaned NTD 1,500 million	Loan amount cannot be drawn again.
Medium-and long-term loan	Mega Bank	May 02, 2018 to October 23, 2023	Loaned NTD 500 million	Loan amount cannot be drawn again.
Medium-and long-term loan	MUFG Bank	March 21, 2018 to March 23, 2021	Loaned NTD 500 million	Loan amount cannot be drawn again.
Medium-and long-term loan	CTBC Bank	March 23, 2018 to March 28, 2023	Loaned NTD 1,000 million	Repaid amount of NTD 500 million cannot be drawn again. The amount of NTD 500 million is calculable mobility. Amount of mobility cannot be lower than 70% of the total amount each time.
Medium-and long-term loan	Standard Chartered Bank	May 28, 2018 to June 25, 2021	Loaned NTD 500 million	Loan amount cannot be drawn again.

Overview of financial status

I. Condensed balance sheet and statement of comprehensive income for recent five fiscal years

<1> Condensed balance sheet

Unit: thousand NTD

Item \ Fiscal year		Financial information for the recent years – Individual				
		2018	2017	2016	2015	2014
Current assets		4,200,063	3,709,562	3,885,668	3,532,055	4,303,033
Property, plant and equipment		2,789,755	2,760,238	2,699,834	2,686,179	2,406,647
Intangible assets		65,778	86,312	37,972	49,355	61,045
Other assets		17,248,237	16,104,401	16,125,052	16,128,518	15,321,868
Total assets		24,303,833	22,660,513	22,748,526	22,396,107	22,092,593
Current liability	Before distribution	4,790,367	6,304,390	5,141,128	3,398,866	3,646,329
	After distribution	(Note)	7,097,072	5,966,838	4,274,119	4,901,408
Non-current liability		4,202,463	1,478,607	2,266,177	2,752,556	2,241,604
Total liability	Before distribution	8,992,830	7,782,997	7,407,305	6,151,422	5,887,933
	After distribution	(Note)	8,575,679	8,233,015	7,026,675	7,143,012
Equity attributable to shareholders of the parent		15,311,003	14,877,516	15,341,221	16,244,685	16,204,660
Common stock		8,257,099	8,257,099	8,257,099	8,257,099	8,257,099
Capital surplus		45,158	41,043	849	849	849
Retained earnings	Before distribution	5,809,486	5,431,836	5,381,012	5,414,016	6,194,132
	After distribution	(Note)	4,639,154	4,555,302	4,538,763	4,939,053
Other equity		1,199,260	1,147,538	1,702,261	2,572,721	1,752,580
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total shareholders' equity	Before distribution	15,311,003	14,877,516	15,341,221	16,244,685	16,204,660
	After distribution	(Note)	14,084,834	14,515,511	15,369,432	14,949,581

Note: The earnings in 2018 will be distributed subject to the resolution of the shareholders' meeting in 2019.

Item	Fiscal year	Financial information for the recent years				
		Consolidated				
		2018	2017	2016	2015	2014
Current assets		14,861,158	13,913,627	13,627,402	12,389,236	15,659,546
Property, plant and equipment		8,768,849	8,558,709	8,947,258	9,875,244	10,071,167
Intangible assets		1,851,601	1,942,350	2,179,937	2,397,426	2,467,432
Other assets		4,748,561	4,584,655	5,015,330	5,332,079	4,958,508
Total assets		30,230,169	28,999,341	29,769,927	29,993,985	33,156,653
Current liability	Before distribution	8,172,613	10,811,273	9,963,898	7,974,847	10,445,749
	After distribution	(Note)	11,603,955	10,789,608	8,850,100	11,700,828
Non-current liability		5,175,715	1,744,622	2,754,204	3,942,024	4,572,506
Total liability	Before distribution	13,348,328	12,555,895	12,718,102	11,916,871	15,018,255
	After distribution	(Note)	13,348,577	13,543,812	12,792,124	16,273,334
Equity attributable to shareholders of the parent		15,311,003	14,877,516	15,341,221	16,244,685	16,204,660
Common stock		8,257,099	8,257,099	8,257,099	8,257,099	8,257,099
Capital surplus		45,158	41,043	849	849	849
Retained earnings	Before distribution	5,809,486	5,431,836	5,381,012	5,414,016	6,194,132
	After distribution	(Note)	4,639,154	4,555,302	4,538,763	4,939,053
Other equity		1,199,260	1,147,538	1,702,261	2,572,721	1,752,580
Treasury stock		0	0	0	0	0
Non-controlling interest		1,570,838	1,565,930	1,710,604	1,832,429	1,933,738
Total shareholders' equity	Before distribution	16,881,841	16,443,446	17,051,825	18,077,114	18,138,398
	After distribution	(Note)	15,650,764	16,226,115	17,201,861	16,883,319

Note: The earnings in 2018 will be distributed subject to the resolution of the shareholders' meeting in 2019.

Condensed statement of comprehensive income

Unit: thousand NTD

Fiscal year / Item	Financial information for the recent years				
	Individual				
	2018	2017	2016	2015	2014
Operating revenue	10,834,520	11,254,655	8,831,537	8,636,050	12,265,005
Gross profit	1,107,890	896,998	869,843	1,014,433	1,389,526
Operating profit	250,966	106,207	143,220	295,190	668,983
Non-operating income and expenses	1,077,163	790,340	928,346	-6,465	452,372
Net income before tax	1,328,129	896,547	1,071,566	288,725	1,121,355
Net income	1,192,186	874,107	988,352	529,115	1,141,338
Other comprehensive income (loss)	29,868	(552,296)	(934,084)	765,989	565,480
Total comprehensive income	1,222,054	321,811	54,268	1,295,104	1,706,818
Net income attributable to shareholders of the parent	1,192,186	874,107	988,352	529,115	1,141,338
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to shareholders of the parent	1,222,054	321,811	54,268	1,295,104	1,706,818
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
EPS (Note)	1.44	1.06	1.20	0.64	1.38

Note: EPS (loss) is computed by income (loss) after tax divided by weighted average outstanding shares. The shares increased after earnings or additional paid-in capital transferred to capital should be computed retroactively.

Unit: thousand NTD

Fiscal year / Item	Financial information for the recent years				
	Consolidated				
	2018	2017	2016	2015	2014
Operating revenue	29,751,218	31,766,237	26,955,090	25,981,759	31,868,574
Gross profit	3,488,714	3,328,879	3,880,881	3,375,615	3,963,338
Operating profit	1,301,814	1,202,526	1,764,946	1,396,683	1,939,858
Non-operating income and expenses	328,629	(65,391)	(157,636)	(750,683)	(392,314)
Net income before tax	1,630,443	1,137,135	1,607,310	646,000	1,547,544
Net income	1,233,670	849,717	1,093,607	601,147	1,243,746
Other comprehensive income (loss)	(6,708)	(568,595)	(1,072,228)	737,495	624,067
Total comprehensive income	1,226,962	281,122	21,379	1,338,642	1,867,813
Net income attributable to shareholders of the parent	1,192,186	874,107	988,352	529,115	1,141,338
Net income attributable to non-controlling interests	41,484	(24,390)	105,255	72,032	102,408
Total comprehensive income attributable to shareholders of the parent	1,222,054	321,811	54,268	1,295,104	1,706,818
Total comprehensive income attributable to non-controlling interests	4,908	(40,689)	(32,889)	43,538	160,995
EPS (Note)	1.44	1.06	1.20	0.64	1.38

Note: EPS (loss) is computed by income (loss) after tax divided by weighted average outstanding shares. The shares increased after earnings or additional paid-in capital transferred to capital should be computed retroactively.

CPA's name and auditor's opinion

Fiscal year	CPA's name	Auditor's opinion
2018	Po Shu Hung Ann Tine Yu	Unqualified opinion
2017	Po Shu Hung Ann Tine Yu	Unqualified opinion
2016	Po Shu Hung Ann Tine Yu	Unqualified opinion
2015	Po Shu Hung Ann Tine Yu	Unqualified opinion
2014	Po Shu Hung Ann Tine Yu	Unqualified opinion

II. Financial analysis for the recent five fiscal years

Financial analysis

Item	Fiscal year	Financial information for the recent years				
		Individual				
		2018	2017	2016	2015	2014
Financial structure	Debt-asset ratio(%)	37.00	34.35	32.56	27.47	26.65
	Ratio of long-term capital to property, plant and equipment(%)	699.47	592.56	652.17	707.22	766.47
Solvency	Current ratio(%)	87.68	58.84	75.58	103.92	118.01
	Quick ratio(%)	34.79	23.76	35.57	53.21	72.05
	Interest coverage ratio(%)	17.39	13.53	19.50	6.89	30.72
Operating ability	Receivables turnover rate (times)	9.88	9.21	7.27	6.19	8.00
	Average collection days for receivables	36.94	39.63	50.21	58.97	45.64
	Inventory turnover rate (times)	4.19	4.94	4.29	4.56	6.42
	Payables turnover rate (times)	11.90	11.26	9.49	12.37	15.49
	Average days of sales	87.11	73.89	85.08	80.04	56.85
	Property, plant and equipment turnover rate (times)	3.90	4.12	3.28	3.39	5.07
	Total assets turnover rate(times)	0.46	0.50	0.39	0.39	0.57
Profitability	Return on assets(%)	5.36	4.11	4.59	2.56	5.45
	Return on equity(%)	7.90	5.79	6.26	3.26	7.18
	Ratio of income before tax to paid-in capital (%)	16.08	10.86	12.98	3.50	13.58
	Profit margin before tax (%)	11.00	7.77	11.19	6.13	9.31
	EPS (NTD)	1.44	1.06	1.20	0.64	1.38
Cash flows	Cash flow ratio (%)	6.81	2.58	2.30	31.33	11.07
	Cash flow adequacy ratio(%)	28.13	41.77	41.65	(Note)	(Note)
	Cash flow reinvestment ratio(%)	(1.85)	(3.02)	(3.31)	(0.79)	(2.89)
Leveraging	Operating leverage	15.65	30.93	21.22	10.53	5.32
	Financial leverage	1.48	3.07	1.68	1.20	1.06

1. Current ratio, quick ratio and cash flow rate are mainly caused by the decrease in current liabilities.
2. Times interest earned and ratio of income before tax to paid-in capital are mainly caused by the increase in net profit before taxation.
3. Return on assets, return on equity and profit margin before tax are mainly caused by the increase in net profit after taxation.
4. Cash flow adequacy ratio is mainly caused by the decrease in the cash flow of business activities for the past 5 years.
5. Cash flow reinvestment ratio is mainly caused by the increase in the cash flow of business activities.
6. Business and financial leverage are mainly caused by the increase in operating profit.

Note: There are no five-year IFRS financial

Item	Fiscal year	Financial information for the recent years				
		Consolidated				
		2018	2017	2016	2015	2014
Financial structure	Debt-asset ratio(%)	44.16	43.30	42.72	39.73	45.29
	Ratio of long-term capital to property, plant and equipment(%)	251.54	212.51	221.36	222.97	225.50
Solvency	Current ratio(%)	181.84	128.70	136.77	155.35	149.91
	Quick ratio(%)	102.14	72.44	82.41	95.02	93.75
	Interest coverage ratio(%)	10.62	7.04	11.61	5.14	8.77
Operating ability	Receivables turnover rate (times)	8.21	8.19	7.59	7.21	8.03
	Average collection days for receivables	44.45	44.56	48.08	50.62	45.45
	Inventory turnover rate (times)	4.21	4.98	4.54	4.25	4.86
	Payables turnover rate (times)	15.71	15.75	14.71	16.85	19.55
	Average days of sales	86.69	73.29	80.39	85.88	75.10
	Property, plant and equipment turnover rate (times)	3.43	3.63	2.86	2.61	3.14
	Total assets turnover rate(times)	1.00	1.08	0.90	0.82	0.96
Profitability	Return on assets(%)	4.62	3.42	4.08	2.31	4.24
	Return on equity(%)	7.40	5.07	6.23	3.32	6.97
	Ratio of income before tax to paid-in capital (%)	19.75	13.77	19.47	7.82	18.74
	Profit margin before tax (%)	4.15	2.67	4.06	2.31	3.90
	EPS (NTD)	1.44	1.06	1.20	0.64	1.38
Cash flows	Cash flow ratio (%)	22.92	14.72	9.11	52.71	19.49
	Cash flow adequacy ratio(%)	99.39	109.82	103.78	(註)	(註)
	Cash flow reinvestment ratio(%)	3.11	2.41	(0.18)	8.62	2.27
Leveraging	Operating leverage	8.52	8.23	5.76	6.88	4.93
	Financial leverage	1.15	1.19	1.09	1.13	1.11

1. Current ratio, quick ratio and cash flow rate are mainly caused by the decrease in current liabilities.
2. Interest coverage ratio is mainly caused by the increase in net profit before taxation.
3. Ratio of income before tax to paid-in capital is mainly caused by the increase in net profit before taxation.
4. Return on assets, return on equity, profit margin before tax and EPS are mainly caused by the increase in net profit before taxation.
5. Cash flow reinvestment ratio is mainly caused by the increase in net cash flow of business activities.

Note: There are no five-year IFRS financial

1. Financial structure:
   (1) Debt-asset ratio = total liabilities / total assets
   (2) Ratio of long-term capital to property, plant and equipment = (total equity + non-current liabilities) / net worth of property, plant and equipment

2. Solvency:
   (1) Current ratio = current assets / current liabilities
   (2) Quick ratio = (current assets - inventory - prepaid expenses) / current liabilities
   (3) Interest coverage ratio = income before income tax and interest expenses / current interest expenses

3. Operating ability:
   (1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales / average receivables (including accounts receivable and notes receivable arising from business operations) for each period
   (2) Average collection days for receivables = 365 / receivables turnover rate
   (3) Inventory turnover rate = cost of sales / average inventory
   (4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale / average payables (including accounts payable and notes payable arising from business operations) for each period
   (5) Average days of sale = 365 / inventory turnover rate
   (6) Property, plant and equipment turnover rate = net sales / average net worth of property, plant and equipment
   (7) Total asset turnover rate = net sales / average total assets

4. Profitability:
   (1) Return on assets = [net income + interest expenses (1 - tax rate)] / average total assets
   (2) Return on equity = net income / average total equity
   (3) Profit margin before tax = net income / net sales
   (4) EPS = (profit and loss attributable to owners of the parent - dividends on preferred shares) / weighted average number of issued shares

5. Cash flow:
   (1) Cash flow ratio = net cash flow from operating activities / current liabilities
   (2) Net cash flow adequacy ratio = net cash flow from operating activities for the most recent five years / (capital expenditures + inventory increase + cash dividend)
   (3) Cash flow reinvestment ratio = (net cash flow from operating activities - cash dividend) / gross property, plant and equipment value + long-term investment + other non-current assets + working capital)

6. Leveraging:
   (1) Operating leverage = (net operating revenue - variable operating costs and expenses) / operating income
   (2) Financial leverage = operating income / (operating income - interest expenses)

III. Audit Committee's Report

The Board of Directors has prepared and submitted the Company's 2018 Business Report, Financial Statements and earnings distribution proposal. The above Financial Statements have been audited by KPMG and an audit report is accordingly issued .

The above Business Report, Financial Statements, and earnings distribution proposal have been examined and deemed as fairly presented by Audit Committee. This Audit Report is duly submitted in accordance with Article 14-4 of the Securities and Exchange Act and Article 219 of the Company Act. Submission for perusal.

To:

The 2019 Annual Shareholders' Meeting

TSRC Corporation

The convener of Audit Committee Robert Hung

Date: March 14, 2019

IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year- Please refer to Page 84.

V. Individual financial statements and independent auditors' report for the most recent fiscal year-Please refer to Page 158.

VI. Financial difficulties which the Company or its affiliates have experienced, and how said difficulties will affect the Company's financial situation - None.

Review and analysis of the Company's financial position and financial performance, and risk management

I. Financial position:

Unit: thousand NTD

Item / Fiscal year	2018	2017	Amount change	Percentage change (%)
Current assets	14,861,158	13,913,627	947,531	6.81
Property, plant and equipment	8,768,849	8,558,709	210,140	2.46
Intangible assets	1,851,601	1,942,350	(90,749)	(4.67)
Other assets	4,748,561	4,584,655	163,906	3.58
Total assets	30,230,169	28,999,341	1,230,828	4.24
Current liabilities	8,172,613	10,811,273	(2,638,660)	(24.41)
Non-current liabilities	5,175,715	1,744,622	3,431,093	196.67
Total liabilities	13,348,328	12,555,895	792,433	6.31
Capital stock	8,257,099	8,257,099	0	0.00
Capital Surplus	45,158	41,043	4,115	10.03
Retained earnings	5,809,486	5,431,836	377,650	6.95
Total shareholders' equity	16,881,841	16,443,446	438,395	2.67

Description of addition, deduction, changes, and impacts:
The decrease in current liabilities and the increase in non-current liabilities are caused by repaying short-term loan and increase long-term loan, thereby enhancing liquidity.

II. Financial performance:

Analysis and comparison of financial performance

Unit: thousand NTD

Item / Fiscal year	2018	2017	Amount change	Percentage change (%)
Revenue	29,751,218	31,766,237	(2,015,019)	(6.34)
Operating cost	26,262,504	28,437,358	(2,174,854)	(7.65)
Gross profit	3,488,714	3,328,879	159,835	4.80
Operating expenses	2,439,413	2,345,389	94,024	4.01
Other income and expenses	252,513	219,036	33,477	15.28
Operating profit	1,301,814	1,202,526	99,288	8.26
Non-operating revenues and gains	328,629	(65,391)	394,020	602.56
Net income before tax	1,630,443	1,137,135	493,308	43.38
Less: income tax expenses	396,773	287,418	109,355	38.05
Net income	1,233,670	849,717	383,953	45.19

Description of addition, deduction, changes, and impacts:

1. The gross profit of the current year increased compared to the previous year, which was mainly caused by successful transformation of advanced shoe materials this year.
2. The increase in non-operating revenue and income is mainly caused by the increase of profits from the reinvested companies in the current period and excellent financial management.
3. The increase in the income tax expenses is mainly caused by the increase in profit during the current period and the increase in the tax rate in Taiwan.

Sales volume forecast and the basis there of

Unit:thousands metric ton

Name of product	2019	
	Sales volume fore cast	Basis
Synthetic rubber and elastomers	453.2	Subject to the requirement of the market and customers
Applied Materials	15.8	Subject to the requirement of the market and customers forecast growth
Total	469.0	

III. Cash flow analysis:

Cash balance at the beginning	Net cash flow from operating activities of the year	Cash inflow (outflow) of the year	The impact of exchange rate fluctuation on cash	Remainder (deficit) of cash	Remedy for insufficient cash	
					Investment plan	Financial plan
3,560,440	1,872,988	(1,212,789)	307,113	4,527,752	-	-

<1> Analysis of change in cash flow in the current year:

1. Operating activities: This mainly comes from the cash inflow of NTD 2,401,812 thousand generated from income items, cash outflow of NTD 153,294 thousand generated from net changes of operating assets and liabilities, net interest expense of NTD 89,204 thousand and income tax payment of NTD 286,326 thousand.
2. Investing activities: The NTD 991,852 thousand net cash outflow from investing activities is mainly generated from cash outflow of NTD 1,236,918 thousand from acquiring property, plants and equipment, cash inflow of NTD 131,845 thousand from collecting dividends,cash inflow of NTD 203,207 thousand from investing stock amount and cash inflow of NTD 89,986 thousand from acquiring other non-current assets.
3. Financing activities: The net cash outflow of NTD 220,937 thousand generated from financing is mainly caused by the net increase of NTD 2,525,355 thousand of short-term loans, net increase of NTD 350,477 thousand of short-term notes and bills payables, net increase of NTD 3,448,602 thousand of long-term loan, decrease of NTD 6,584 thousand for rent payment and cash dividend appropriation of NTD 787,123 thousand.

<2> Corrective measures to be taken in response to illiquidity: None

<3> Liquidity analysis for the coming year:

Unit: thousand NTD

Cash balance at the beginning(1)	Projected cash flow from operation of the year (2)	Estimated annual net cash flow from investing and financing activities(3)	Projected remainder (deficit) of cash (1)+(2)-(3)	Remedy for insufficient cash	
				Investment plan	Financial plan
4,527,752	2,092,000	(1,752,000)	4,867,752	-	-

IV. Impacts on financial operations of any major capital expenditure

<1> Major capital expenditure condition and source of funding

Unit: thousand NTD

Item	Sources of funds	Actual of intended completion date	Amount	Year	
				2018	2019
New lines of SEBS	Self-owned capital and loads from banks	2019	3,069,000	841,150	1,634,000
SIS Pelletizing	Self-owned capital	2020	294,500	140,300	63,000
Production lines of advanced shoe materials	Self-owned capital and loads from banks	2020	682,000	76,290	605,710

<2> Benefits generated: Expected to increase profitability.

V. The Company's reinvestment policy for the most recent fiscal year, the main reasons for profit/loss generated thereby, the plan for improving re-investment profitability, and investment plans for the coming year:

To maintain the leading roles in synthetic rubber, TSRC actively steps into the special chemical products in the reinvestment policy and aims at the development of high gross profits and high-added value products in order to maintain the overall operating performance.

VI. Analysis and assessment of risk management

<2> The effect of the change in interest rate and exchange rate and inflation on the profit and loss of the Company and future countermeasures

Unit: thousand NTD

2018	Amount	Accounting for the percentage of net operating revenues (%)	Accounting for the percentage of net profit before taxation (%)
Net interest income (expense)	(91,259)	(0.3)	(5.6)
Net exchange gain (loss)	31,065	0.1	1.9

Interest rate change:

The interest rate risk of the Company comes from the liabilities generated from the operating demand. If there are obvious fluctuations for the expected interest rate, the Company will adopt proper financial instruments, such as long-term liabilities with fixed interest rates, adjustment in the borrowing currency or loan period, to lower the costs of funds with the most suitable borrowing portfolio.

Exchange rate fluctuation:

The Company uses foreign currency to collect and make payments for part of the product sales and procurement, so the obvious exchange rate fluctuation will have an impact on the operating revenues, costs of sale and operating gains of the Company. The Company conducts exchange rate hedging on the net position after offering the foreign currency assets and liabilities possessed and generated from expected transactions to lower the impact of exchange rate fluctuation on operation.

Inflation:

The fluctuation of raw material prices may have an impact on the operation costs of the Company. The responding measures against the risk include the mechanism of bulk procurement and long-term contracts to lower the changes in costs. As for the sale price of products, the Company will make proper adjustments in accordance with costs and market conditions to manage the impact generated from inflation on the Company.

<2> Policy on high risk and high leverage investments, loans to others, guarantee and endorsement and derivative transactions, and the main reason for profit or loss, and response measure to be taken in the future

The Company has not engaged in any high-risk, high-leveraged investments, extending loans to others, or derivatives transactions. Granting endorsements and guarantees is limited to an investee Company accounted for under the equity method. The above transactions will be performed in accordance with relevant requirements prescribed in the Company's "Procedures for the Handling Acquiring or Disposal of Assets," "Procedures for Extending Loan to Others," "Procedures for Granting Endorsements and Guarantees."

<3> R&D work to be carried out in the future and future expenditures expected for R&D work

Unit: thousand NTD

Project name	Expected R&D spending
Develop new generation S-SBR products and enhance the capabilities of core technologies	60,000
Develop New catalyst BRproducts	10,000
Develop high value-added TPE products	210,000
Construct Applied Research Center in Shanghai	80,000
Develop customized shoe materials and high-end applied materials	78,000
Develop a leading production process technology platform	96,000

<4> Effect on the Company's financial operations of important policies adopted and changes in the legal environment at home and abroad, and measures to be taken in response.

The Company has always complied with government's laws and regulations and monitored the change in government policies and laws at home and abroad. The change in government policies and laws in the country and overseas in the recent year did not cause any effect to the Company's finance and operations.

<5> Effect of changes in technology and industry dynamics on the Company's financial and business operations, as well as the measures to be taken in response:

As the industry technology develops, TSRC has invested greatly in R&D and process technology, continued to build various technology platforms, and worked with customers to jointly develop new technologies and products. Through these activities, TSRC was able to enhance its technology and provide new solutions for customers, strengthening TSRC's position in specialty materials applications and market segments. Since synthetic rubber business is highly influenced by the external factors such as butadiene price, natural rubber price, and synthetic rubber supply-demand balance, a sales-production-procurement (SPP) coordination mechanism is in place to periodically review those external factors to control upstream cost and reduce the impact of price fluctuations to the Company. In addition, TSRC has expanded its global presence to reduce the risk of being held limited to a single geographic location or industrial area, further strengthening TSRC's ability in responding to market changes.

<6> Effect of changes in the Company's corporate image on the Company's crisis management, and measures to be taken in response:

TSRC continues to be fully engaged in developing energy-saving materials and creating operational success in accordance with its Company value in corporate social responsibility (CSR) and sustainable business philosophy. TSRC also continues to pursue improvement and innovation in the economic, environmental and social dimensions of CSR, endeavoring to serve as a good corporate citizen and a positive force to the society. Moreover, TSRC attaches great importance to supporting the society throughvarious activities in helping disadvantaged students in local communities and other disadvantaged groups. At the same time, TSRC volunteers in schools to help with interactive chemistry education activities, demonstrating TSRC's attention to corporate contribution and creating value to the society.

Furthermore, TSRC implements policies to protect the Company's intellectual properties, confidential information, and personal information of its customers and employees.

TSRC expects to integrate CSR into its core operation process, fulfill sustainable growth, and become customers' long-term partners.In corporate governance, TSRC regularly holds shareholder meetings and investor conferences to increase the transparency of the Company's financial and operations.As for crisis management, TSRC has existing procedures to respond to crisis events including natural disasters and workplace accidents, reducing operational uncertainty to the minimum level.

<7> Expected benefits and risks associated with merger and acquisitions, and mitigation measures being or to be taken:

To achieve corporate transformation and increase shareholders value, TSRC continues to develop and assess equity investment, strategic alliance and merger and acquisitions (M&A)opportunities. The main risks of cross-border M&A include compliance with local M&A regulations and foreign investment requirements as well as post-M&A operation management. To ensure a smooth transition from transaction to post-deal integration, the Company would consult professional advisors with local expertise to set the deal structure conforming to both local and domestic regulations, while the management team would construct a global operating model to align with the Company's cross-border M&A strategy.

<8> Expected benefits and risks associated withplant expansion and mitigation measures being or to be taken:

To achieve organic growth and strengthen business portfolio via new products and geographic expansion, TSRC is constructing a new 20,000 metric tons advanced SEBS line in Nantong, China. The new SEBS production line incorporates new processes and technologies, focusing on plastic modification, automotive, and medical applications such as IV bag and tubing. It is expected to commercialize in 2019 Q4 and start to contribute to the Company's revenue, profit, and overall competitiveness. Plant expansion is for operational purpose and the decision was made with careful capital expenditure planning, thus the risks associated with plant expansion should be limited.

<9> Risks associated with any consolidation of sales or purchasing operations, and mitigation measures being or to be taken:

Purchase: Capacity of the suppliers of butadiene, the Company's main raw materials, is limited. In order to stabilize the source of raw materials and in consideration of the acquisition cost, the Company entered into the supply contract with the domestic major suppliers to concentrate the supply. If the domestic suppliers suffer force majeure, the Company still can acquire the raw materials from foreign suppliers. Therefore, there is no likelihood of short supply of the raw materials.

Sales: The Company's major customers are domestic and international tire companies. Although the downstream tire companies face slower growth in demand, its most sales are contract based thanks to good long-term partnership with international major manufacturers. Meanwhile, customers have sound financial structure while business units have conducted credit line control on all customers and worked on the credit investigations on account customers. Through the above measures, no significant risks occurred on the management and operation of synthetic rubber business division.

<10> Effect upon and risk to the Company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the Company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken:

In the case of directors, managers, or shareholders holding more than 10% of the Company's common share transferring a major quantity of shares or otherwise changed hands may result in the change of management of the Company or affecting the stock price of the Company. TSRC's directors, managers, and shareholders holding more than 10% of the Company's common share are required to report any changes in their shareholding to the competent authority. As of the date of this annual report, there have been no events of TSRC's directors, manager, or shareholders holding more than 10% of the Company's common share transferring a major quantity of shares or otherwise changed hands.

<11> Effect upon and risk to Company associated with any change in governance personnel or top management, and mitigation measures being or to be taken: No

<12> Litigious and non-litigious matters involved the Company and/or any Company director, any Company supervisor, the general manager, any person with actual responsibility for the firm, any major shareholder holding a stake of greater than 10 percent, and/or any Company or companies controlled by the Company: No

<13> Other important risks, and mitigation measures being or to be taken: No

VII. Other important matters

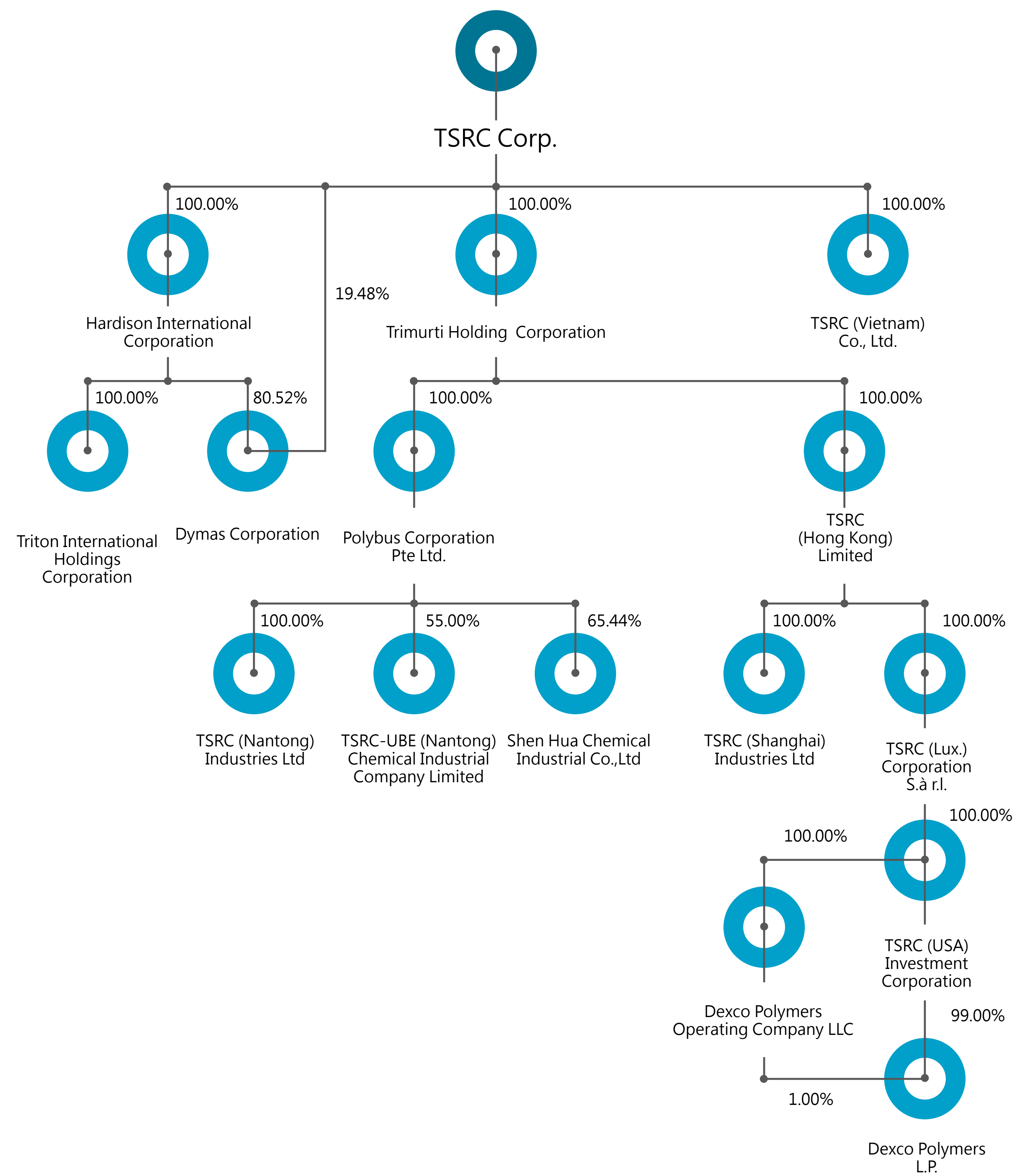
Risk Assessment and countermeasures for information security

In terms of structure of information system based on its risk level, data copy and offsite host redundant mechanism are built, and the copied media are sent to offsite places for preservation to ensure the data security of information system. In addition, status monitoring of all equipment in major computer faculties are enhanced, double-layer network fire wall mechanism is built, and timely monitoring and treatment of abnormal network messages are performed to protect changing network security from threats and infection of hacker virus and ensure proper operation and data security of information network system. Moreover, the design should be reviewed and planned every year based on the risk level of information system host to enhance proper resources of software and hardware and countermeasures, such as improving operation procedure, etc.

Special items to be included

I. Information related to the Company's affiliates

<1> Organizational chart of affiliates



<2> Profiles of the Company's affiliates

Name of enterprise	Date of incorporation	Address	Actual received capitals	Major business or production items
Trimurti Holding Corporation	March 10,1994	Palm Grove House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD 86,920,000	Investment corporation
Hardison International Corporation	March 11,1994	Palm Grove House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD 3,896,000	Investment corporation
Dymas Corporation	March 19,1991	Palm Grove House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD 5,960,000	Investment corporation
Polybus Corporation Pte Ltd.	February 25, 1995	100 Peck Seah Street #09-16 Singapore 079333	SGD 105,830,000	Trading and investment corporation
TSRC (Hong Kong) Limited	March 19, 2008	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	USD 77,850,000	Investment corporation
Triton International Holdings Corporation	May 24, 1993	Palm Grove House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD 50,000	Investment corporation
TSRC (Lux.) Corporation S.à r.l.	July 26, 2011	34-36 avenue de la Liberté, L-1930 Luxembourg	EUR 50,800,000	Trading and investment corporation
TSRC(USA) Investment Corporation	January 27, 2011	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, 19808	USD 70,050,000	Investment corporation
Dexco Polymers L.P.	February 20, 2002	12012 Wickchester Lane, Suite 280, Houston, TX 77079	Note 1	Production and sale of TPE
TSRC (Shanghai) Industries Ltd	February 22, 2001.	No. 1406, Yu Shu Road,Hi-tech Park Songjiang Zone, Shanghai,P.R.C	USD 5,500,000	Production and sale of compounding materials
Shen Hua Chemical Industrial Co., Ltd	March 29, 1996.	NO.1 Shen Hua Road, Nantong Economic & Technology Development Area, Nantong Jiangsu, P.R.C.	USD41,220,000	Production and sale of synthetic rubber products
TSRC (Nantong) Industries Ltd	September 05, 2006	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD 105,125,000	Production and sale of TPE
TSRC-UBE (Nantong) Chemical Industrial Company Limited	December 06, 2006	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD 40,000,000	Production and sale of butadiene rubber
TSRC (Vietnam) Co., Ltd.	October 16, 2018	8 VSIP II-A Street 31, Vietnam Singapore Industrial Park II-A, Tan Uyen Town, Binh Duong Province, Vietnam	USD 9,000,000	Production and processing of plastic rubber granular, Thermoplastic Elastomer and plastic compound

Note1: TSRC (USA) Investment Corporation acquired 100% of equities of Dexco Polymers Operating Company LLC and Dexco Polymers LP with USD192,617 thousand in 2011.

Note2: TSRC (USA) Investment Corporation is a limited liability partner of Dexco Polymers L.P.; Dexco Polymers Operating Company LLC is a general partner of Dexco Polymers L.P. that is not involved in the actual operation. Thus, relevant information of Dexco Polymers Operating Company LLC is not additionally disclosed.

<3> Companies presumed to have a relationship of control and subordination: No

<4> The industries covered by the business operated by the affiliates and mutual dealings and division of work:

Name of enterprise	Business covered	Connection with business	Mutual dealings and division of work
Trimurti Holding Corporation	Investment corporation, reinvestment in Polybus Corporation Pte Ltd. And TSRC (Hong Kong) Limited.	No	Recognized as the Company's offshore investee
Hardison International Corporation	Investment corporation, reinvestment in Dymas Corporation-Triton International Holdings Corporation and TSRC Biotech Ltd.	No	Recognized as the Company's offshore investee
Dymas Corporation	Investment Corporation	No	Recognized as the Company's offshore investee
Polybus Corporation Pte Ltd.	Trading and investment corporation, reinvestment in Shen Hua Chemical Industrial, TSRC (Nantong) Industries Ltd. and TSRC-UBE (Nantong) Chemical Industries Company Limited	Yes	Recognized as the Company's offshore investee; responsible for the part of sales activities of the Company, TSRC (Nantong) Industries Ltd. and Shen Hua Chemical Industrial Co., Ltd.
TSRC (Hong Kong) Limited	Investment corporation, reinvestment in TSRC (Shanghai) Industries Ltd. and TSRC (Jinan) Industries Ltd. and TSRC(Lux.) Corporation S.à r.l.	No	Recognized as the Company's offshore investee
Triton International Holdings Corporation	Investment corporation	No	Recognized as the Company's offshore investee
TSRC (Lux.) Corporation S.à r.l.	Trading and investment corporation, reinvestment in TSRC (USA) Investment Corporation	Yes	Recognized as the Company's offshore investee; responsible for certain sales activities of The Company and Dexco Polymers L.P. to which and TSRC (Nantong) Industries Ltd.
TSRC (USA) Investment Corporation	Investment corporation, reinvestment in Dexco Polymers L. P. and Dexco Polymers Operating Company LLC	Yes	Such Company is an overseas investee Company of the Company, providing support in research and development technology
Dexco Polymers L.P.	Production and sale of TPE	Yes	That Company is the Company's overseas investee Company, and provides the Company with support for R&D technologies and financial & accounting personnel. The Company provides that Company with information services.
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	Yes	Such Company is an overseas investee Company of the Company. The Company sells part of the products to such Company and provides management, information and technical services.

Name of enterprise	Business covered	Connection with business	Mutual dealings and division of work
Shen Hua Chemical Industrial Co., Ltd	Production and sale of synthetic rubber products	Yes	That Company is the Company's overseas investee Company, and provides the Company with support for R&D technologies and financial & accounting personnel. The Company provides that Company with information services.
TSRC (Nantong)Industries Ltd	Production and sale of TPE	Yes	Such Company is an overseas investee Company of the Company. The Company sells part of the products to such Company and provides management, information and technical services.
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	Yes	That Company is the Company's overseas investee Company, and provides the Company with support for R&D technologies and financial & accounting personnel. The Company provides that Company with information services.
TSRC (Vietnam) Co., Ltd.	Production and processing of plastic rubber granular, Thermoplastic Elastomer and plastic compound	Yes	The Company is the overseas investee of our Company. Our Company provides the Company with marketing, management, information and technology services.

<5> Profiles of Directors, Supervisors and Presidents of the Company's affiliates:

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
Trimurti Holding Corporation	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
Hardison International Corporation	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
Dymas Corporation	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
Polybus Corporation Pte Ltd.	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
TSRC (Hong Kong) Limited	Director	Joseph Chai	-	-
	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
TSRC (Lux.) Corporation S.à r.l.	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
	Director	Max Tsai	-	-
	Director	David Maria	-	-
	President	Christian Kafka	-	-
TSRC(USA) Investment Corporation	Director	Wing-Keung Hendrick Lam	-	-
	Director	Edward Wang	-	-
	Director	Max Tsai	-	-
	President	Wing-Keung Hendrick Lam	-	-
Triton International Holdings Corporation	Director	Joseph Chai	-	-
	Director	Edward Wang	-	-
Dexco Polymers L.P.	President	Max Tsai	-	-
TSRC (Shanghai) Industries Ltd	Chairman	Wing-Keung Hendrick Lam	-	-
	Director	Huang-Cheng Kuo	-	-
	Director	Chin-Bao Lu	-	-
	Director	Thomas Lin	-	-
	Supervisor	Edward Wang	-	-
	President	Peter Lee	-	-

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
Shen Hua Chemical Industrial Co., Ltd	Chairman	Kevin Liu	-	-
	Director	Edward Wang	-	-
	Director	R. L. Chiu	-	-
	Director	Thomas Lin	-	-
	Director	Chao Yang Jiang	-	-
	Director	Qiang Xin Lu	-	-
	Director	SATOSHI OYAMA	-	-
	President	Chao Yang Jiang	-	-
TSRC (Nantong) Industries Ltd	Chairman	Wing-Keung Hendrick Lam	-	-
	Director	Calvin Su	-	-
	Director	Chin-Bao Lu	-	-
	Supervisor	Edward Wang	-	-
	President	Calvin Su	-	-
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Chairman	Kevin Liu	-	-
	Director	Thomas Lin	-	-
	Director	R. L. Chiu	-	-
	Director	Mori Shigeru	-	-
	Director	SATOSHI OYAMA	-	-
	Supervisor	Edward Wang	-	-
	President	Chao Yang Jiang	-	-
TSRC (Vietnam) Co., Ltd.	Chairman	Wing-Keung Hendrick Lam	-	-
	Director	Huang-Cheng Kuo	-	-
	Director	Edward Wang	-	-
	President	Huang-Cheng Kuo	-	-

<6> Overview of operation of affiliates

Unit: thousand NTD

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Gain/loss current period (after tax)	EPS after tax (NTD)
Trimutri Holding Corporation	2,667,578	13,134,489	1,260	13,133,229	-	(40,282)	994,253	11.44
Hardison International Corporation	119,745	860,521	-	860,521	-	(445)	66,590	17.09
Dymas Corporation	183,155	916,614	-	916,614	-	(94)	73,827	12.39
Polybus Corporation Pte Ltd.	2,212,776	8,100,666	74,325	8,026,341	634,887	18,885	684,472	6.47
TSRC (Hong Kong) Limited	2,392,564	3,251,800	17,815	3,233,985	-	(477)	107,041	1.37
TSRC (Lux.) Corporation S.à r.l.	1,788,399	3,610,697	921,568	2,689,129	2,863,685	6,492	46,818	0.92
TSRC (USA) Investment Corporation	2,152,847	3,260,445	642,544	2,617,901	-	(178,003)	43,108	0.62
Dexco Polymers L.P.	-	2,505,267	944,311	1,560,956	4,351,411	243,552	230,238	-
Triton International Holdings Corporation	1,537	115,984	-	115,984	-	(38)	7,580	151.60
TSRC (Shanghai) Industries Ltd	169,032	499,902	73,299	426,603	530,922	63,532	63,134	-
Shen Hua Chemical Industrial Co., Ltd	1,266,814	2,949,565	275,029	2,674,536	6,825,293	84,423	47,054	-
TSRC (Nantong) Industries Ltd	3,230,807	5,430,809	1,082,232	4,348,577	4,660,339	776,496	578,533	-
TSRC-UBE (Nantong) Chemical Industrial Company Limited	1,229,320	2,223,186	786,479	1,436,707	2,944,503	84,563	56,049	-
TSRC (Vietnam) CO., Ltd.	276,597	276,329	1,934	274,395	-	(2,172)	(2,160)	-

Note: Spot exchange rate on the balance sheet date under the title of assets=USD1:NTD 30.733.
Spot exchange rate on the balance sheet date under the title of income=USD1:NTD 30.1465.

II. State of the Company's private placement of marketable securities: No.

III. Holding or disposal of the Company's shares by the Company's subsidiaries: No.

IV. Other matters that require additional description: No.

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Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Other disclosures

<1> Employees' ethics

The Company published the "Code of Dutiful Conduct" for the employees in 2002, followed by 5 amendments which clearly specifying that, in performing relevant internal and external Company tasks under their duties in the Company, employees must comply with the regulations about the effective utilization of resources and assets, the protection of trade secrets, the prohibition of insider trading, anti-trust rules, fair trade, avoidance of conflict between the Company and personal interests, avoidance of private benefits, the prohibition of bribery, and regulations or network use and second jobs. Corresponding sanctions are also put in place.

<2> Protection measures for working environment and employees' safety

Based on the "Security Policy" formulated by the Company, people orientation is disclosed as the core value of the Company. Furthermore, through the operation specifications for "technology," "safety culture," "Responsibility, " and "communication " the goals of zero disasters and zero losses are pursued.

The Company organizes the emergency response, disaster-prevention and safety training, annual health examination, health workshops and psychological consultation, and safety operation environmental testing on a regular basis to ensure that the workplace security and employee personal safety.

The Company has also achieved OHSAS 18001 and CNS15506 requirements for certificates of Occupational Health and Safety Management System, and gained the ISO14001 environmental management system certification to duly fulfill its environmental responsibilities.

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Representation Letter

The entities that are required to be included in the combined financial statements of TSRC Corporation as of and for the year ended December 31, 2018 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TSRC Corporation does not prepare a separate set of combined financial statements.

Company name: TSRC Corporation

Chairman: Nita Ing

Date: March 14, 2019

Independent Auditors' Report

To the Board of Directors of TSRC Corporation:

Opinion

We have audited the consolidated financial statements of TSRC Corporation ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2018 and 2017, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 2018. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. **Revenue recognition**

   Please refer to note 4(q), 6(v) and note 6(w) for disclosures related to revenue recognition.

   Description of key audit matter:

   Revenue is the key indicator used by investors and management while evaluating the Group's finance or operating performance. The Group initially adopted IFRS 15 and the accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue measurement and recognition rely on subjective judgments of the management.Therefore, we consider it as the key audit matter.

   How the matter was addressed in our audit:

   Testing the effectiveness of design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing the revenue recognition of significant sales contracts to determine whether the accounting treatment, key judgment, estimation, and accounting treatment are reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

2. **Inventory measurement**
   Please refer to note 4(h), note 5, and note 6(g) for disclosures related to inventory measurement.
   Description of key audit matter:
   The inventory of the Group includes various types of synthetic rubber and its raw material. Since there is an oversupply and a low market demand in the rubber manufacturing industry, which may result in a decline on the price of raw material, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider it as the key audit matter.
   How the matter was addressed in our audit:
   The key audit procedures performed is to understand management's accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the bases used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

Other Matter

TSRC Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2018 and 2017, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.
The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Ann-Tien Yu.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2019

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

Assets	December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current assets				
Cash and cash equivalents (note 6(a))	$ 4,527,752	15	3,560,440	12
Financial assets at fair value through profit or loss - current (note 6(b))	679	-	-	-
Notes receivable, net (note 6(e))	558,944	2	909,467	3
Accounts receivable, net (note 6(e))	2,873,893	10	2,907,588	10
Other receivable (notes 6(f) and 7)	91,395	-	76,088	-
Current income tax assets	21,636	-	38,795	-
Inventories (note 6(g))	6,449,363	21	6,040,680	21
Other current assets (note 6(m))	337,496	1	380,569	1
Total current assets	14,861,158	49	13,913,627	47
Non-current assets:				
Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,299,806	4	-	-
Available-for-sale financial assets - non-current (note 6(d))	-	-	1,120,121	4
Investments accounted for under equity method (notes 6(h) and 7)	1,067,378	4	1,123,944	4
Property, plant and equipment (notes 6(j), 8 and 9)	8,768,849	29	8,558,709	29
Investment property (note 6(k))	1,596,324	5	1,611,050	6
Intangible assets (note 6(l))	1,851,601	6	1,942,350	7
Deferred income tax assets (note 6(r))	244,319	1	292,498	1
Other non-current assets (notes 6(m) and 8)	540,734	2	437,042	2
Total non-current assets	15,369,011	51	15,085,714	53
Total assets	$ 30,230,169	100	28,999,341	100

(See accompanying notes to consolidated financial statements.)

Liabilities and Equity		December 31, 2018 Amount	%	December 31, 2017 Amount	%
Current liabilities:					
Short-term borrowings (note 6(n))	$	4,147,772	14	6,365,254	22
Current portion of long-term borrowings (note 6(n))		850,000	3	800,000	3
Short-term commercial paper payable (note 6(n))		-	-	349,975	1
Financial liabilities at fair value through profit or loss－current (note 6(b))		2,066	-	226	-
Accounts payable		1,514,522	5	1,793,092	6
Accounts payable - related parties (note 7)		-	-	35,663	-
Current income tax liabilities		133,032	-	118,045	-
Other payable (notes 6(o), 6(q), 6(u) and 7)		1,330,672	4	1,170,557	4
Other current liabilities (notes 6(m) and (p))		194,549	1	178,461	1
Total current liabilities		8,172,613	27	10,811,273	37
Non-Current liabilities:					
Long-term bank borrowings (note 6(n))		3,718,325	12	800,000	3
Other long-term borrowings (note 6(n))		499,693	2	-	-
Provision liabilities - non-current (note 7)		29,189	-	26,999	-
Deferred income tax liabilities (note 6(r))		695,682	2	665,560	2
Other non-current liabilities (notes 6(w) and 6(q))		232,826	1	252,063	1
Total non-current liabilities		5,175,715	17	1,744,622	6
Total liabilities		13,348,328	44	12,555,895	43
Equity attributable to shareholders of the Company (notes 6(s) and 6(z)):					
Common stock		8,257,099	27	8,257,099	29
Capital surplus		45,158	-	41,043	-
Retained earnings:					
Legal reserve		3,857,922	13	3,770,512	13
Unappropriated earnings		1,951,564	6	1,661,324	6
		5,809,486	19	5,431,836	19
Other equity:					
Financial statement translation differences for foreign operations		465,589	2	512,008	2
Unrealized gain on financial assets measured at fair value through other comprehensive income		801,805	3	-	-
Unrealized gain on valuation of available-for-sale financial assets		-	-	623,809	2
Gain (loss) on effective portion of cash flow hedges		(68,134)	-	11,721	-
		1,199,260	5	1,147,538	4
Total equity attributable to shareholders of the Company		15,311,003	51	14,877,516	52
Non-controlling interests		1,570,838	5	1,565,930	5
Total equity		16,881,841	56	16,443,446	57
Total liabilities and equity	$	30,230,169	100	28,999,341	100

(See accompanying notes to consolidated financial statements.)

Chairman:Nita Ing　　Manager:Joseph Chai　　Chief Accountant:Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2018		2017	
	Amount	%	Amount	%
Revenue (notes 6(v), 6(w) and 7)	$ 29,751,218	100	31,766,237	100
Operating costs (notes 6(g), 6(j), 6(l), 6(m), 6(o), 6(p), 6(u) and 7)	26,262,504	88	28,437,358	90
Gross profit	3,488,714	12	3,328,879	10
Operating expenses (notes 6(e), 6(j), 6(l), 6(m), 6(p), 6(q), 6(u) and 7):				
Selling expenses	959,417	3	950,976	3
General and administrative expenses	1,081,834	4	1,018,863	3
Research and development expenses	387,948	1	375,550	1
Expected credit losses for bad debt expense	10,214	-	-	-
Total operating expenses	2,439,413	8	2,345,389	7
Other income and expenses, net (notes 6(k), 6(o), 6(x) and 7)	252,513	-	219,036	1
Operating profit	1,301,814	4	1,202,526	4
Non-operating income and expenses (notes 6(h), 6(k) and 6(y)):				
Other income	171,366	1	103,465	-
Other gains and losses	28,977	-	179,259	1
Finance costs	(169,434)	(1)	(188,149)	(1)
Share of gain of associates and joint ventures accounted for under equity method	297,720	1	(159,966)	-
Total non-operating income and expenses	328,629	1	(65,391)	-
Net income before tax	1,630,443	5	1,137,135	4
Less: Tax expense (note 6(r))	396,773	1	287,418	1
Net income	1,233,670	4	849,717	3
Other comprehensive income (loss):				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	(21,854)	-	2,427	-
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	177,996	-	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	156,142	-	2,427	-
Items that may be reclassified subsequently to profit or loss				
Financial statements translation differences for foreign operations	(12,155)	-	(550,512)	(2)
Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(111,655)	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	(150,695)	-	91,145	-
Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	(162,850)	-	(571,022)	(2)
Other comprehensive income (loss), net of tax	(6,708)	-	(568,595)	(2)
Total comprehensive income	$ 1,226,962	4	281,122	1
Net income (loss) attributable to:				
Shareholders of parent	$ 1,192,186	4	874,107	3
Non controlling interests	41,484	-	(24,390)	-
	$ 1,233,670	4	849,717	3
Total comprehensive income attributable to:				
Shareholders of parent	$ 1,222,054	4	321,811	1
Non controlling interests	4,908	-	(40,689)	-
	$ 1,226,962	4	281,122	1
Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(t))	$	1.44		1.06

(See accompanying notes to consolidated financial statements.)

Chairman:Nita Ing　　　Manager:Joseph Chai　　　Chief Accountant:Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent				
			Retained earnings		
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total
Balance at January 1, 2017	$ 8,257,099	849	3,671,676	1,709,336	5,381,012
Appropriation and distribution:					
Legal reserve	-	-	98,836	(98,836)	-
Cash dividends		-	-	(825,710)	(825,710)
Other changes in capital surplus	-	40,194	-	-	-
Net income	-	-	-	874,107	874,107
Other comprehensive income (loss)	-	-	-	2,427	2,427
Total comprehensive income (loss)	-	-	-	876,534	876,534
Changes in ownership interests in subsidiaries	-	-	-	-	-
Balance at December 31, 2017	8,257,099	41,043	3,770,512	1,661,324	5,431,836
Effects of retrospective application	-	-	-	29,848	29,848
Equity at beginning of period after adjustments	8,257,099	41,043	3,770,512	1,691,172	5,461,684
Appropriation and distribution:					
Legal reserve	-	-	87,410	(87,410)	-
Cash dividends	-	-	-	(792,682)	(792,682)
Other changes in capital surplus	-	4,115	-	-	-
Net income	-	-	-	1,192,186	1,192,186
Other comprehensive income (loss)	-	-	-	(21,854)	(21,854)
Total comprehensive income (loss)	-	-	-	1,170,332	1,170,332
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	(29,848)	(29,848)
Balance at December 31, 2018	$ 8,257,099	45,158	3,857,922	1,951,564	5,809,486

Equity attributable to owners of parent							
Total other equity interest							
Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total	Total equity attributable to owners of parent	Non controlling interests	Total equity
990,359	-	735,464	(23,562)	1,702,261	15,341,221	1,710,604	17,051,825
-	-	-	-	-	-	-	-
-	-	-	-	-	(825,710)	(36,664)	(862,374)
-	-	-	-	-	40,194	-	40,194
-	-	-	-	-	874,107	(24,390)	849,717
(478,351)	-	(111,655)	35,283	(554,723)	(552,296)	(16,299)	(568,595)
(478,351)	-	(111,655)	35,283	(554,723)	321,811	(40,689)	281,122
-	-	-	-	-	-	(67,321)	(67,321)
512,008	-	623,809	11,721	1,147,538	14,877,516	1,565,930	16,443,446
-	593,961	(623,809)	-	(29,848)	-	-	-
512,008	593,961	-	11,721	1,117,690	14,877,516	1,565,930	16,443,446
-	-	-	-	-	-	-	-
-	-	-	-	-	(792,682)	-	(792,682)
-	-	-	-	-	4,115	-	4,115
-	-	-	-	-	1,192,186	41,484	1,233,670
(46,419)	177,996	-	(79,855)	51,722	29,868	(36,576)	(6,708)
(46,419)	177,996	-	(79,855)	51,722	1,222,054	4,908	1,226,962
-	29,848	-	-	29,848	-	-	-
465,589	801,805	-	(68,134)	1,199,260	15,311,003	1,570,838	16,881,841

(See accompanying notes to consolidated financial statements.)

Chairman:Nita Ing　　Manager:Joseph Chai　　Chief Accountant:Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from operating activities:			
Consolidated net income before tax	$	1,630,443	1,137,135
Adjustments:			
Adjustments to reconcile profit and loss:			
Depreciation		874,575	868,770
Amortization		152,640	149,004
Expected credit losses for bad debt expense		10,214	-
Interest expense		169,434	188,149
Interest income		(78,175)	(51,122)
Dividend income		(81,371)	(52,343)
Share of profit of associates and joint ventures accounted for under equity method		(297,720)	159,966
Loss on disposal of property, plan and equipment		23,824	8,997
Gains on disposal of investments		-	(154,458)
Amortization of long-term prepaid rent		9,768	9,960
Gains from bargain purchase		(11,820)	-
Total adjustments to reconcile profit and loss		771,369	1,126,923
Changes in operating assets and liabilities:			
Net changes in operating assets:			
Financial assets at fair value through profit or loss		(679)	-
Notes receivable		350,523	(251,508)
Accounts receivable		23,481	378,265
Other receivable		(6,304)	54,605
Inventories		(408,683)	(660,772)
Other current assets		43,073	224,593
Total changes in operating assets, net		1,411	(254,817)
Net changes in operating liabilities:			
Financial liabilities at fair value through profit or loss		1,840	226
Accounts payable		(278,570)	13,936
Accounts payable - related parties		(35,663)	33,128
Other payable		176,107	(116,087)
Other current liabilities		16,088	(20,553)
Net defined benefit liability		(56,752)	2,761
Other operating liabilities		22,245	4,013
Total changes in operating liabilities, net		(154,705)	(82,576)
Total changes in operating assets and liabilities, net		(153,294)	(337,393)
Total adjustments		618,075	789,530

	2018	2017
Cash provided by operating activities	$ 2,248,518	1,926,665
Interest income received	69,172	52,558
Interest paid	(158,376)	(187,060)
Income taxes paid	(286,326)	(200,917)
Net cash provided by operating activities	1,872,988	1,591,246
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	-	254,448
Acquisition of investments accounted for under equity method	(42,184)	-
Acquisition of property, plant and equipment	(1,237,645)	(652,568)
Proceeds from disposal of property, plant and equipment	727	2,082
Decrease in other non-current assets	(89,986)	29,481
Dividends received	131,845	52,343
Other investing activities (Proceeds from capital repayments of investments accounted for under equity method/Loss control of subsidiaries)	245,391	(81,959)
Net cash used in investing activities	(991,852)	(396,173)
Cash flows from financing activities:		
Increase in short-term borrowings	36,511,929	37,497,175
Decrease in short-term borrowings	(39,037,284)	(36,871,867)
Increase in short-term commercial paper payable	1,119,523	3,742,751
Decrease in short-term commercial paper payable	(1,470,000)	(3,392,776)
Proceeds from long-term borrowings	3,753,662	-
Repayments of long-term borrowings	(800,000)	(984,638)
Increase in other long-term borrowings	494,940	-
Decrease in finance lease liabilities	(6,584)	(6,509)
Cash dividends paid	(791,238)	(861,089)
Overaging unclaimed dividends	4,115	40,194
Net cash provided by financing activities	(220,937)	(836,759)
Effect of exchange rate changes on cash and cash equivalents	307,113	(306,214)
Net increase in cash and cash equivalents	967,312	52,100
Cash and cash equivalents at beginning of period	3,560,440	3,508,340
Cash and cash equivalents at end of period	$ 4,527,752	3,560,440

(See accompanying notes to consolidated financial statements.)

Chairman:Nita Ing　　Manager:Joseph Chai　　Chief Accountant:Ming-Huang Chen

Notes to the Consolidated Financial Statements

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

<1> Organization and Business Scope

TSRC Corporation (the original name was Taiwan Synthetic Rubber Corporation, hereinafter referred to as "the Company") was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting. In June 2016, the Company changed its registered address to be No.2, Singgong Rd., Dashe Dist., Kaohsiung City. The consolidated financial statements comprise the Company and its subsidiaries (the Group) and the interests of the Group in associate companies and in jointly controlled companies. The Group is mainly engaged in the manufacture, import and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials. Please refer to note 14.

<2> Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were approved by the Board of Directors and published on March 14, 2019.

<3> New Standards, Interpretations and Amendments:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows-Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes -Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 " Revenue" and IAS 11 " Construction Contracts" . The Group applies this standard retrospectively with the cumulative effect. It needs not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Group recognizes the cumulative effect upon its initial application of this Standard as an adjustment to the opening balance of its retained earnings on January 1, 2018.

The Group uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized when the related risks of the goods and rewards of ownership have been transferred to the customer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable, and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The Group estimates the adoption of IFRS 15 will not have any significant impact on its consolidated financial statements.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement", which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Group adopted the consequential amendments to IAS 1 "Presentation of Financial Statements", which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Group's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Group adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Group classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(g).

The adoption of IFRS 9 did not have any significant impact on the Group's accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39; please see note 4(g).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Group's financial assets as of January 1, 2018:

	IAS 39		IFRS 9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Equity instruments	Available-for-sale (note 1)	1,120,121	FVOCI	1,149,969
Trade and other receivables	Loans and receivables (note 2)	3,817,055	Amortized cost	3,817,055

Note1: The Group held equity instrument investment for long-term strategic purposes, as permitted by IFRS 9, at the date of initial application as measured at FVOCI. Therefore, an increase of $29,848 thousand in those assets recognized, and a decrease of $29,848 thousand in other equity interest, as well as the increase of $29,848 thousand in retained earnings were recognized on January 1, 2018.

Note2: Notes receivable, accounts receivable, and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings effect	2018.1.1 Other equity effect
Fair value through other comprehensive income						
Beginning balance of available-for-sale (IAS 39)	$ 1,120,121	(1,120,121)	-		-	-
Available-for-sale to FVOCI	-	1,120,121	29,848		29,848	(29,848)
Total	$ 1,120,121	-	29,848	1,149,969	29,848	(29,848)
Amortized cost						
Beginning balance of trade and other receivables	$ 3,817,055	-	-	3,817,055	-	-

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Group present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ae).

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify the leases as finance or operating leases.

So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, factory facilities and warehouses. No significant impact is expected for the Group's finance leases. Besides, The Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

1) Determining whether an arrangement contains a lease

The Group has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Group can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Group plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified them as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Group can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Group plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Group is assessing the potential impact of using these practical expedients.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease by lease basis, whether to apply a number of practical expedients on transition. The Group chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with a lease term that ends within 12 months at the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

3) So far, the most significant impact identified is that the Group will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Group estimated that its right-of-use assets and lease liabilities to increase by $1,176,226 thousand and $1,176,226 thousand, respectively, on January 1, 2019. No significant impact is expected for the Group's finance leases. Besides, the Group does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Group is not required to make any adjustments for leases where the Group is the intermediate lessor in a sublease.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the most significant impact identified is that the Group will have to recognize the new income tax liabilities and income tax expense for its uncertainty over income tax treatments.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Group assessed that the above IFRSs may not be relevant to the Group.

<4> Significant Accounting Policies

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those described otherwise, the accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently to the balance sheet as of reporting date.

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations) and the IFRSs endorsed by the FSC.

(b) Basis of preparation

(i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for those otherwise explained in the accounting policies in the notes.

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment. The consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions and balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

The comprehensive income from subsidiaries is allocated to the Company and its non-controlling interests, even if doing so causes the non controlling interests to have a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over its subsidiaries are accounted for as equity transactions. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the parent.

When the Group loses control of a subsidiary, the Group derecognises the assets (including goodwill) and liabilities of the former subsidiary at their carrying amounts from the consolidated statement and re measures the fair value of retained interest at the date when control is lost. A gain or loss is recognized in profit or loss and is calculated as the difference between:

1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and
2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Group shall apply the accounting treatment to all previously recognizes amount related to its subsidiary in its comprehensive income as if the related assets and liabilities were disposed by the Group directly.

(ii) List of the subsidiaries included in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements

Name of investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2018	December 31, 2017	
TSRC	Trimurti Holding Corporation	Investment	100.00%	100.00%	
TSRC	Hardison International Corporation	Investment	100.00%	100.00%	
TSRC & Hardison International Corporation	Dymas Corporation	Investment	100.00%	100.00%	(note 1)
TSRC	TSRC (Vietnam) Co., Ltd.	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products	100.00%	-	(note 5)
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	International commerce and investment	100.00%	100.00%	
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	Investment	100.00%	100.00%	
TSRC (Hong Kong) Limited	TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	100.00%	100.00%	
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.à r.l.	International commerce and investment	100.00%	100.00%	
TSRC (Lux.) Corporation S.à r.l.	TSRC (USA) Investment Corporation	Investment	100.00%	100.00%	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	Production and sale of TPE	100.00%	100.00%	(note 2)
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industrial Co,. Ltd.	Production and sale of synthetic rubber products	65.44%	65.44%	
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	55.00%	55.00%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Production and sale of TPE	100.00%	100.00%	
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00%	100.00%	
Hardison International Corporation	TSRC Biotech Ltd.	Investment	-	100.00%	(note 4)
Triton International Holdings Corporation	Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	50.00%	50.00%	(note 3)

Note1 : TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation.

Note2 : TSRC (USA) Investment Corporation is a limited liability shareholder of Dexco Polymers Operating LLC (Dexco LLC). TSRC (USA) directly owns 99% of Dexco Polymers L.P., and indirectly owns Dexco Polymers L.P. via Dexco LLC. Dexco LLC does not engage in operations, so there is no further disclosure of the consolidated information.

Note3 : The Group lost the control of Nantong Qix Storage Co., Ltd. (Nantong Qix) in June 2017, due to amendment of Corporate Charter. Nantong Qix is not in the consolidated financial statements.

Note4 : TSRC Biotech Ltd. completed its dissolution procedure in June 2018.

Note5 : TSRC made the resolution to establish TSRC (Vietnam) Co., Ltd. by the Board of Directors in May 2018, and TSRC has been established in October 2018.

(d) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from remeasurement are recognized in profit or loss, except for the difference resulting from available-for-sale equity investment which is recognized in other comprehensive income arising from the remeasurement.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

(i) An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
2) It holds the asset primarily for the purpose of trading;
3) It expects to realize the asset within twelve months after the reporting period; or
4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

1) It expects to settle the liability in its normal operating cycle;
2) It holds the liability primarily for the purpose of trading;
3) The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or
4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, time deposits, and short-term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

The time deposits with maturity of one year or less from the acquisition date are listed in cash and cash equivalents because they are held for the purpose of meeting short-term cash commitments instead of investment or other purposes, are readily convertible to a fixed amount of cash, and are subject to an insignificant risk of changes in value.

(g) Financial instruments

(i) Financial assets (applicable commencing January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Group shall reclassify all affected financial assets only when it changes its business model in managing its financial assets.

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1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Group may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Group recognizes its loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and guarantee deposit paid).

The Group measures its loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Group assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Group recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (applicable from January 1, 2018)

The Group classifies financial assets into the following categories: receivables and available-for-sale financial assets.

1) Receivables

Receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method. The fair value is the amount of expected future cash flows discounted to present value. Cash flows from short-term accounts receivable with high collectibility shall not be discounted.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

If objective evidence of impairment exists, an impairment loss should be recognized. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Collateral and proceeds from insurance should also be considered when determining the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. However, the reversing amount cannot exceed the amortized balance of the assets assuming no impairment was recognized in prior periods.

2) Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, dividend income, and foreign currency gains or losses which are recognized as current earnings, are recognized in other comprehensive income and presented in the unrealized gain/loss from available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses. The purchase and disposal of financial assets are recognized using trade date accounting.

Dividend income is recognized in profit or loss on the date that the Group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Dividend income is recorded under non-operating income and expenses.

If there is any objective evidence of impairment, the accumulated gain or loss recognized as other comprehensive income is reclassified to current earnings. If, in a subsequent period, the amount of the impairment loss of a financial asset decreases, impairment losses recognized on an available-for-sale equity security cannot be reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

3) Derecognition of financial assets

The Group derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Group transfers substantially all the risks and rewards of ownership of the financial assets.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

Interest, gains or losses related to financial liabilities are recognized in profit or loss, and recorded under non -operating income and expenses.

2) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is recorded under non-operating income and expenses.

3) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired.

4) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

5) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Group is recognized initially at fair value plus any directly attributable transaction cost. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with accounting policies.

(iv) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Any attributable transaction costs thereof are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in the line item of non-operating income and expenses in the statement of comprehensive income. When a derivative is designated as, and effective for, a hedging instrument, its timing of recognition in profit or loss is determined based on the nature of the hedging relationship. When the fair value of a derivative instrument is positive, it is classified as a financial asset, whereas when the fair value is negative, it is classified as a financial liability.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

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Special items to be included
Other disclosures
Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect sharehold-ers' equity or the price of the Company's securities

The equity of associates are incorporated in these consolidated financial statements using the equity method. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Group from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Group's ownership percentage of the associate, the Group recognizes the changes in ownership interests of the associate in capital surplus in proportion to its ownership interests.

When the Group's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

The Group adopts the acquisition method for changes in ownership interests of investment in associates. Goodwill is measured at the amount of fair value transferred out subtracted by the net amounts of the identifiable assets acquired and the liabilities assumed (normally measured at fair value) on the acquisition-date. If the balance after subtraction is negative, the Group shall first reassess if all the assets acquired and the liabilities are identified correctly, then the Group can recognizes gain from bargain purchase in profit or loss.

If an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate, the Group shall continue to apply the equity method without remeasuring the retained interest.

(j) Joint arrangements

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28.

The Group determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the separate legal vehicle, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. Previously the Group determines the type of joint arrangement by considering only the structure and form of the arrangement. The Group has re-determined the joint arrangement which it is involved and has reclassified the "jointly controlled entity" to "joint venture." After the reclassification, the Group continues to adopt the accounting treatment by the equity method. Therefore, there is no impact on the recognized assets, liabilities, and comprehensive income of the subsidiary.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Reclassification to investment properties

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount from its original cost and is depreciated using the straight-line method over its useful life. Assets are evaluated based on their individually significant components, and if the useful life of a component varies from that of others, then this component should be separately depreciated. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

(1) Land improvements	8~30 years
(2) Buildings	3~60 years
(3) Machinery	3~40 years
(4) Furniture and fixtures equipment	3~8 years
(5) Leased assets	3~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or to use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and the depreciation expense is calculated using the depreciable amount. The depreciation method, the useful life, and the residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost and capitalized borrowing costs that can be directly attributed.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(m) Leases

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership of leased assets are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent minimum lease payments are attributable to finance cost and the reduction of the outstanding liabilities, and the finance cost is allocated to each period during the lease term using a constant periodic rate of interest on the remaining balance of the liability. The acquisition of property, plant and equipment under a finance lease is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Group's statement of financial position. Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(n) Intangible assets

(i) Goodwill

Goodwill arises from business combinations in which the acquisition method is adopted, and is recorded at cost less accumulated impairment losses.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group are measured at cost less accumulated amortization and any accumulated impairment losses.

(iii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iv) Amortization

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill and intangible assets with an indefinite useful life, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

(1) Computer software	3 years
(2) Industrial technology and know-how	10~20 years
(3) Patent	20 years
(4) Non-compete agreement	3 years
(5) Customer relationship	18 years
(6) Trademark and goodwill	Uncertain useful lives

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any change shall be accounted for as changes in accounting estimates.

(o) Impairment - non-financial assets

With regard to non financial assets (other than inventories and deferred tax assets), the Group assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Group will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Group assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized an impairment loss.

Notwithstanding whether indicators exist, recoverability of goodwill and intangible assets with indefinite useful lives or those not yet in use is required to be tested at least annually. Impairment loss is recognized if the recoverable amount is less than the carrying amount.

For the purpose of impairment testing, goodwill acquired in a business combination shall, from the acquisition date, be allocated to each of the acquirer's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination. If the carrying amount of the cash-generating units exceeds the recoverable amount of the units, the entity shall recognize the impairment loss, and the impairment loss shall be allocated to reduce the carrying amount of each asset in the unit. Reversal of an impairment loss for goodwill is prohibited.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

(q) Revenue

(i) Revenue from contracts with customers (applicable commencing January 1, 2018)

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring goods or services to a customer. The Group recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Group's main types of revenue are explained below.

1) Sale of goods

The Group is mainly engaged in the manufacture and sale of various types of synthetic rubber. The Group recognizes revenue when control of the products has been transferred, being when the products are delivered to the customer, the ownership of the significant risks and rewards of the products have been transferred to the customer, and the Group is no longer engaged with the management of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract and the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Management services

The Group is engaged in providing management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed price contracts, revenue is recognized based on the actual service provided at the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on surveys of work performed.

3) Financing components

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (applicable before January 1, 2018)

1) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For export transactions, transfer occurs upon loading the goods onto the relevant carrier at the port; however, for sales in the domestic market, transfer usually occurs when the product is received at the customer's warehouse.

2) Rendering of services

The Group is engaged in providing management services. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

3) Rental income

The rental income arising from investment property is recognized in profit or loss on a straight-line basis during the lease term.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value.

The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date (market yields of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Group's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group can reclassify the amounts recognized in other comprehensive income to retained earnings.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.
(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
   1) levied by the same taxing authority; or
   2) levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(t) Earnings per share

Earnings per share (EPS) of common stock are calculated by dividing net income (or loss) for the reporting period attributable to common stockholders by the weighted-average number of common shares outstanding during that period. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

Employee bonuses in the form of stock of the Company are potential stock. If the potential stock does not have a dilutive effect, only the basic earnings per share are disclosed; otherwise, diluted earnings per share are disclosed in addition to the basic earnings per share. When computing diluted earnings per share with regard to employee bonuses in the form of stock, the closing price at the reporting date is used as the basis of computation of the number of shares to be issued. When computing diluted earnings per share prior to the following Board of Directors, the effect of dilution from these potential shares is taken into consideration.

(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to make decisions about resources to be allocated to the segment and to assess its performance. Each operating segment consists of standalone financial information.

<5> Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs endorsed by the FSC requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.
There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:
Inventory measurement

Since inventory is measured by the lower of cost and net realizable value, the Group evaluated the inventory based on the selling price of the product line and price fluctuation of raw material, and written down the book value to net realizable value. Please refer to note 6(g) for inventory measurement.

<6> Description of Significant Accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Cash on hand	$ 433	435
Checking and savings deposits	1,593,472	1,037,168
Time deposits	2,933,847	2,522,837
Cash and cash equivalents per statements of cash flow	$ 4,527,752	3,560,440

The disclosure of interest rate risk and sensitivity analysis for the Group's financial assets and liabilities is referred to note 6(aa).

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2018
Mandatorily measured at fair value through profit or loss:	
Derivative instruments not used for hedging	
Forward contracts	$ 679

	December 31, 2018	December 31, 2017
Financial liabilities held for trading:		
Derivative instruments not used for hedging		
Forward contracts/Swap contracts	$ 2,066	226

The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. As of December 31, 2018 and 2017, the Group reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting.

Forward contracts / Swap contracts:	December 31, 2018		
	Contract amount (thousand)	Currency	Maturity dates
Swap contracts	$ 14,960	USD/EUR	2019.1.4~2019.1.29

	December 31, 2017		
	Contract amount (thousand)	Currency	Expired date
Forward Exchange Agreement	$ 650	EUR/TWD	2018.1.18~2018.3.21
Forward Exchange Agreement	200	EUR/USD	2018.2.13

(c) Financial assets at fair value through other comprehensive income - non-current

	December 31, 2018
Equity investments at fair value through other comprehensive income:	
Listed stocks (domestic)	$ 305,631
Unlisted stocks (domestic and overseas)	994,175
Total	$ 1,299,806

(i) Equity investments at fair value through other comprehensive income
The Group held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income. These investments were classified as available-for-sale financial assets - non-current on December 31, 2017.
In January 2018, the Group surrendered all of is shares in Pulse Metric, Inc. due to the investee had no substantial operation. The shares disposed had a no fair value; therefore the Group realized a loss of $29,848 thousand, recognized in other comprehensive income. The loss had been transferred to retained earnings.
(ii) For dividend income, please refer to note 6(y).
(iii) For credit risk and market risk, please refer to note 6(aa).
(iv) The Group did not hold any collateral for the collectible amounts.
(v) The significant financial assets at fair value through other comprehensive income denominated in foreign currency were as follows:

	Foreign currency amount	Exchange rate	TWD
December 31, 2018			
THB	$ 367,531	0.9532	350,331

(d) Available-for-sale financial assets - non-current

	December 31, 2017
Listed stocks (domestic)	$ 235,024
Unlisted stocks (domestic and overseas)	885,097
Total	$ 1,120,121

Please refer to note 6(y) for gains on disposal of investments and dividend income.

If the market price of the available-for-sale financial assets fluctuates (assuming that all other variables remain the same), the impact on other comprehensive income will be as follows:

	2017	
Fluctuation in market price at reporting date	Other comprehensive income (after tax)	Net income
Increase 10%	$ 112,012	-
Decrease 10%	$ (112,012)	-

The significant available-for-sale financial assets denominated in foreign currency were as follows:

	Foreign currency amount	Exchange rate	TWD
December 31, 2017			
THB	$ 343,722	0.9176	315,399

As of December 31, 2017, the Group did not pledge any collateral on available-for-sale financial instruments. For credit risk and market risk, please refer to note 6(aa).

(e) Notes and accounts receivable (including related parties)

	December 31, 2018	December 31, 2017
Notes receivable	$ 558,944	909,467
Accounts receivable	2,884,202	2,907,867
Less: loss allowance	10,309	279
	$ 3,432,837	3,817,055

The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The expected credit losses as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	$ 3,364,574	0.04%~0.33%	3,417
1 to 30 days past due	60,182	0.45%~16.31%	1,996
31 to 90 days past due	17,659	5.98%~65.24%	4,165
More than 90 days past	731	100%	731
	$ 3,443,146		10,309

As of December 31, 2017, the Group applies the incurred loss model to consider the loss allowance provision and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	December 31, 2017
1 to 30 days past due	$ 99,033

The movement in the allowance for notes and accounts receivable was as follows:

		2017	
	2018	Individually assessed impairment	Collectively assessed impairment
Balance at January 1, 2018 and 2017 per IAS 39	$ 279	282	-
Adjustment on initial application of IFRS 9	-		
Balance at January 1, 2018 per IFRS 9	279		
Impairment loss recognized	10,214	-	-
Impairment loss reversed	(279)	-	-
Foreign exchange gains (losses)	95	(3)	-
Balance at December 31, 2018 and 2017	$ 10,309	279	-

The Group did not hold any collateral for the collectible amounts. For other credit risk information, please refers to note 6(aa).

The carrying amounts of notes and accounts receivable with short maturity are not discounted under the assumption that the carrying amount approximates the fair value.

(g) Other receivables (including related parties)

	December 31, 2018	December 31, 2017
Other receivables - related parties	$ 42,427	55,120
Other	48,968	20,968
	$ 91,395	76,088

As of December 31, 2018 and 2017, the Group had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management's assessment. For other credit risk information, please refers to note 6(aa).

(h) Inventories

The components of the Group's inventories were as follows:

	December 31, 2018	December 31, 2017
Raw materials	$ 1,713,308	1,905,394
Supplies	102,599	98,738
Work in progress	370,562	335,606
Finished goods	3,576,007	3,114,627
Merchandise	686,887	586,315
Total	$ 6,449,363	6,040,680

As of December 31, 2018 and 2017, the Group did not pledge any collateral on inventories.

Except for operating costs arising from the ordinary sale of inventories, other gains and losses directly recorded under operating cost were as follows:

	2018	2017
Loss on decline in market value of inventory	$ 35,089	32,478
Income from sale of scrap	(58,932)	(66,012)
Loss on physical count	446	2,982
Unallocated production overhead	62,666	99,954
Total	$ 39,269	69,402

(h) Investments accounted for under equity method

The details of the investments accounted for under the equity method at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Associates	$ 628,467	805,561
Joint ventures	438,911	318,383
	$ 1,067,378	1,123,944

(i) Associates

For the years ended December 31, 2018 and 2017, the Group recognized its share of gain from the associates of $104,521 thousand and $120,983 thousand, respectively.

The details of the significant associates are as follows:

Name of associates	Existing relationship with the Group	The main operating place / register country	Proportion of equity and voting right December 31, 2018	Proportion of equity and voting right December 31, 2017
Indian Synthetic Rubber Private Limited	Strategic alliance of production and sales of synthetic rubber products	India	50.00% (Note 1)	34.04%
ARLANXEO-TSRC (Nantong) Chemicals Industries Co., Ltd.	Strategic alliance of production and sales of NBR	China	50.00%	50.00%

Note1: Indian Synthetic Rubber Private Limited has been reclassified from associate to joint venture from April 2018.

A summary of the financial information of the significant associate were as follows:

1) Summary of financial information of Indian Synthetic Rubber Private Limited

On April 10, 2018, the Group acquired 15.96% ownership of Indian Synthetic Rubber Private Limited from other shareholders, and the Group recognized the gain from bargain purchase amounting to $11,820 thousand. After the acquisition transaction, the Group owns 50% of Indian Synthetic Rubber Private Limited, which has been reclassified from associate to joint venture, but still listed as investments accounted for under equity method.

	December 31, 2017
Current assets	$ 2,523,989
Non-current assets	3,779,641
Current liabilities	(3,788,115)
Non-current liabilities	(1,958,847)
Equity	$ 556,668
Equity attributable to the Group	$ 189,490

	For the three months ended March 31, 2018	2017
Revenue	$ 1,324,113	5,624,915
Net income of continued operations	$ 36,141	263,190
Other comprehensive income (loss)	-	102,557
Total comprehensive income (loss)	$ 36,141	365,747
Total comprehensive income attributable to the Group	$ 12,303	124,500

Note2: For information on revenue and profit or loss for the December 31, 2018, please refer to the description of joint ventures.

	For the three months ended March 31, 2018	2017
Beginning equity of the associate attributable to the Group	$ 205,093	76,678
Current total comprehensive income of the associate attributable to the Group	12,303	124,500
Other	(4,109)	3,915
Associate reclassified to joint venture	(213,287)	-
Ending balance of the equity of the associate attributable to the Group	$ -	205,093

2) Summary of financial information of ARLANXEO-TSRC (Nantong)

	December 31, 2018	December 31, 2017
Current assets	$ 716,347	524,169
Non-current assets	822,219	942,114
Current liabilities	(1,094,043)	(1,082,863)
Non-current liabilities	(13,709)	(22,024)
Equity	$ 430,814	361,396
Equity attributable to the Group	$ 215,407	180,698

	2018	2017
Revenue	$ 2,062,759	1,446,906
Net income of continued operations	$ 79,204	4,943
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	$ 79,204	4,943
Total comprehensive income attributable to the Group	$ 39,602	2,471

	2018	2017
Beginning equity of the associate attributable to the Group	$ 181,347	180,559
Current total comprehensive income of the associate attributable to the Group	$ 39,602	2,471
Other	(1,114)	(1,683)
Ending balance of the equity of the associate attributable to the Group	$ 219,835	181,347

3) Summary of respectively not significant associates recognized under equity method were as follows:

	December 31, 2018	December 31, 2017
Balance of not significant associate's equity	$ 408,632	419,121

	2018	2017
Attributable to the Group:		
Income from continued operation	$ 52,616	28,922
Other comprehensive income	-	-
Total comprehensive income	$ 52,616	28,922

(ii) Joint ventures

1) Summary of financial information of Indian Synthetic Rubber Private Limited

	December 31, 2018
Current assets	$ 2,663,769
Non-current assets	3,484,344
Current liabilities	(2,424,997)
Non-current liabilities	(2,910,295)
Equity	$ 812,821
Equity attributable to the Group	$ 406,411

	For the nine months ended December 31, 2018
Revenue	$ 4,126,045
Net income of continued operations	$ 413,944
Other comprehensive income (loss)	(157,496)
Total comprehensive income (loss)	$ 256,448
Total comprehensive income attributable to the Group	$ 109,926

	For the nine months ended December 31, 2018
Beginning equity of the joint venture attributable to the Group	$ -
Joint venture reclassified from associate	213,287
Current total comprehensive income of the joint venture attributable to the Group	109,926
Other	39,928
Ending balance of the equity of the joint venture attributable to the Group	$ 363,141

2) Summary of respectively not significant joint ventures recognized under the equity method were as follows:

	December 31, 2018	December 31, 2017
Balance of not significant joint venture's equity	$ 75,770	318,383

	2018	2017
Attributable to the Group:		
Income (loss) from continued operation	$ 4,525	(280,949)
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	$ 4,525	(280,949)

The liquidation of Taiwan Advance Material Corp. in December 2018 was approved by its Board of Directors and the Ministry of Economic Affairs in October 2017, wherein the remaining amount of $245,391 thousands had been received by the Group.

(iii) Collateral

As of December 31, 2018 and 2017, the Group did not pledge any collateral on investments accounted for under the equity method.

(i) Lose control of subsidiaries

The Group lost the control of Nantong Qix Storage Co., Ltd (Nantong Qix) in June, 2017, due to amendment of the Corporate Charter. Nantong Qix is not included in the consolidated financial statements, but listed as investments accounted for under equity method.

The carrying amount of assets and liabilities of Nantong Qix on June 30, 2017 were as follows:

Cash and cash equivalents	$ 81,959
Accounts receivables	1,060
Other receivables	849
Other current assets	357
Property, plant and equipment	35,944
Other non-current assets	23,848
Accounts payables	(421)
Other payables	(8,954)
Carrying amount of net assets	$ 134,642

(j) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Group were as follows:

	Land	Land improvements	Buildings
Cost:			
Balance at January 1, 2018	$ 614,101	106,131	4,048,091
Additions	-	-	-
Disposals	-	-	(1,035)
Reclassification	-	199	11,310
Effect of changes in exchange rates	-	669	(60,202)
Balance at December 31, 2018	$ 614,101	106,999	3,998,164
Balance at January 1, 2017	$ 614,101	106,510	4,062,799
Additions	-	-	-
Disposals	-	-	(1,775)
Reclassification	-	1,460	18,546
Effect of changes in exchange rates	-	(1,839)	(31,479)
Balance at December 31, 2017	$ 614,101	106,131	4,048,091
Depreciation and impairment loss:			
Balance at January 1, 2018	$ -	85,133	2,134,269
Depreciation	-	2,446	131,216
Disposal	-	-	(1,035)
Effect of changes in exchange rates	-	658	(27,768)
Balance at December 31, 2018	$ -	88,237	2,236,682
Balance at January 1, 2017	$ -	84,347	2,036,837
Depreciation	-	2,587	129,271
Disposal	-	-	(1,619)
Reclassification	-	-	(16,813)
Effect of changes in exchange rates	-	(1,801)	(13,407)
Balance at December 31, 2017	$ -	85,133	2,134,269
Carrying value:			
December 31, 2018	$ 614,101	18,762	1,761,482
January 1, 2017	$ 614,101	22,163	2,025,962
December 31, 2017	$ 614,101	20,998	1,913,822

The Group performed the asset impairment test by estimating the future cash flows. Impairment loss was recognized thereon as the estimated amount of future cash flows was less than the carrying value.

Please refer to note 8 for the information of the property, plant and equipment.

Machinery	Furniture and fixtures and other equipment	Leased assets	Construction in progress	Total
19,944,375	217,074	94,596	566,082	25,590,450
4,791	254	-	1,209,361	1,214,406
(114,721)	(1,889)	-	-	(117,645)
512,270	13,227	-	(560,479)	(23,473)
(64,588)	(393)	-	(4,105)	(128,619)
20,282,127	228,273	94,596	1,210,859	26,535,119
20,289,079	192,592	94,596	357,046	25,716,723
2,778	343	-	692,022	695,143
(151,425)	(843)	-	-	(154,043)
167,924	29,606	-	(475,082)	(257,546)
(363,981)	(4,624)	-	(7,904)	(409,827)
19,944,375	217,074	94,596	566,082	25,590,450
14,652,082	160,257	-	-	17,031,741
714,097	12,090	-	-	859,849
(90,361)	(1,698)	-	-	(93,094)
(5,108)	(8)	-	-	(32,226)
15,270,710	170,641	-	-	17,766,270
14,493,478	154,803	-	-	16,769,465
710,898	11,289	-	-	854,045
(140,606)	(739)	-	-	(142,964)
(127,834)	(989)	-	-	(145,636)
(283,854)	(4,107)	-	-	(303,169)
14,652,082	160,257	-	-	17,031,741
5,011,417	57,632	94,596	1,210,859	8,768,849
5,795,601	37,789	94,596	357,046	8,947,258
5,292,293	56,817	94,596	566,082	8,558,709

(k) Investment property

	Land	Buildings	Total
Cost:			
Balance as at January 1, 2018	$ 1,073,579	741,889	1,815,468
Additions	-	-	-
Balance as at December 31, 2018	$ 1,073,579	741,889	1,815,468
Balance as at January 1, 2017	$ 1,073,579	741,889	1,815,468
Additions	-	-	-
Balance as at December 31, 2017	$ 1,073,579	741,889	1,815,468
Depreciation:			
Balance as at January 1, 2018	$ -	204,418	204,418
Depreciation	-	14,726	14,726
Balance as at December 31, 2018	$ -	219,144	219,144
Balance as at January 1, 2017	$ -	189,693	189,693
Depreciation	-	14,725	14,725
Balance as at December 31, 2017	$ -	204,418	204,418
Carrying value:			
Balance as at December 31, 2018	$ 1,073,579	522,745	1,596,324
Balance as at December 31, 2017	$ 1,073,579	537,471	1,611,050
Balance as at January 1, 2017	$ 1,073,579	552,196	1,625,775
Fair value:			
Balance as at December 31, 2018			$ 3,334,675
Balance as at December 31, 2017			$ 3,334,675
Balance as at January 1, 2017			$ 3,148,146

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial Non-cancellable period of 1~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(x) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent appraiser. The range of yields applied to the net annual rentals to determine the fair value of the property were as follows:

Region	2018	2017
Da'an Dist., Taipei City	2.10%	2.10%

The Group has rented out a parcel of land, but has decided not to treat this property as investment property because it is out not the Group's intention to hold it for capital appreciation or rental income. Accordingly, the property is still recorded under property, plant and equipment.

As of December 31, 2018 and 2017, the Group did not pledge any collateral on investment properties.

(l) Intangible assets

The cost and amortization of the intangible assets of the Group were as follows:

		Industrial technology and know-how	Computer software	Goodwill
Costs:				
Balance at January 1, 2018	$	1,003,145	236,986	205,021
Reclassification		-	9,260	-
Effect of changes in exchange rates		17,893	(1,703)	6,079
Balance at December 31, 2018	$	1,021,038	244,543	211,100
Balance at January 1, 2017	$	1,039,513	201,489	221,719
Reclassification		32,157	37,971	-
Disposals		-	(1,798)	-
Effect of changes in exchange rates		(68,525)	(676)	(16,698)
Balance at December 31, 2017	$	1,003,145	236,986	205,021
Amortization:				
Balance at January 1, 2018	$	406,994	201,328	-
Amortization		48,724	20,126	-
Effect of changes in exchange rates		2,519	(1,712)	-
Balance at December 31, 2018	$	458,237	219,742	-
Balance at January 1, 2017	$	381,187	186,874	-
Amortization		47,275	17,096	-
Reclassification		-	(184)	-
Disposals		-	(1,798)	-
Effect of changes in exchange rates		(21,468)	(660)	-
Balance at December 31, 2017	$	406,994	201,328	-
Carrying value:				
December 31, 2018	$	562,801	24,801	211,100
December 31, 2017	$	596,151	35,658	205,021
January 1, 2017	$	658,326	14,615	221,719

(i) In 2018 and 2017, the amortization of intangible assets were as follows:

		2018	2017
Operating costs	$	6,422	6,793
Operating expenses	$	146,218	142,211

(ii) Impairment Loss

In accordance with IAS 36 "impairment of assets," the Group assesses the impairment loss of intangible assets, goodwill and trademark, at the end of each reporting period. The recoverable amount of the cash-generating unit is the expected discount present value of future cash inflows. As of December 31, 2018 and 2017, based on the result of the assessment of the Group, the recoverable amount of the cash-generating unit was higher than the book value. Therefore, there was no impairment loss.

1) operating results, and the financial budget.
2) Forecast of operating revenue, operating cost, and operating expenses are based on the future operational plan, with consideration on the changes and competition in the market industry.
3) For the years 2018 and 2017, the discount rates for the present value of recoverable amounts were 8% and 9%, respectively.

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Patent and trademark	Customer relationship	Non-compete agreement	Total
587,467	1,071,543	8,954	3,113,116
-	-	-	9,260
17,418	31,772	266	71,725
604,885	1,103,315	9,220	3,194,101
635,313	1,158,816	9,683	3,266,533
-	-	-	70,128
-	-	-	(1,798)
(47,846)	(87,273)	(729)	(221,747)
587,467	1,071,543	8,954	3,113,116
151,661	401,829	8,954	1,170,766
23,664	60,126	-	152,640
4,957	13,064	266	19,094
180,282	475,019	9,220	1,342,500
138,675	370,177	9,683	1,086,596
23,902	60,731	-	149,004
-	-	-	(184)
-	-	-	(1,798)
(10,916)	(29,079)	(729)	(62,852)
151,661	401,829	8,954	1,170,766
424,603	628,296	-	1,851,601
435,806	669,714	-	1,942,350
496,638	788,639	-	2,179,937

(iii) The Group did not pledge any collateral on intangible assets.

(m) Prepaid rent

	Land lease prepayment
Cost:	
January 1, 2018	$ 490,235
Additions	75,153
Effects of changes in exchange rates	(11,199)
December 31, 2018	$ 554,189
January 1, 2017	$ 526,479
Reclassification	(31,046)
Effects of changes in exchange rates	(5,198)
December 31, 2017	$ 490,235
Amortization:	
January 1, 2018	$ 113,288
Amortization	9,768
Effects of changes in exchange rates	(2,754)
December 31, 2018	$ 120,302
January 1, 2017	$ 112,377
Amortization	9,960
Reclassification	(8,072)
Effects of changes in exchange rates	(977)
December 31, 2017	$ 113,288
Carrying value:	
December 31, 2018	$ 433,887
December 31, 2017	$ 376,947
January 1, 2017	$ 414,102
December 31, 2018	
Current	$ 11,454
Non-current	422,433
	$ 433,887
December 31, 2017	
Current	$ 9,805
Non-current	367,142
	$ 376,947

As of December 31, 2018 and 2017, the Group's prepaid rent was not provided as pledged assets for long-term borrowings and credit lines.

(n) Short-term and long-term borrowings

The details of the Group's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

	December 31, 2018		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.55~5.66	2019	$ 4,147,772

	December 31, 2017		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.40~4.79	2018	$ 6,365,254

The abovementioned short-term borrowings were to mature within one year.

As of December 31, 2018 and 2017, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $15,664,492 thousand and $13,586,947 thousand, respectively.

(ii) Short-term commercial paper payable

	December 31, 2017		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	International Bills Finance Corporation	0.87	$ 350,000
Less: discount			25
Total			$ 349,975

(iii) Long-term borrowings

1) Long-term bank borrowings

	December 31, 2018			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	4.25~4.38	2020~2023	$ 768,325
Unsecured loans	NTD	1.05~1.44	2019~2023	3,800,000
Total				$ 4,568,325
Current				$ 850,000
Non-current				3,718,325
Total				$ 4,568,325

	December 31, 2017			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	NTD	1.44	2018~2019	$ 1,600,000
Current				$ 800,000
Non-current				800,000
Total				$ 1,600,000

2) Long-term commercial paper payable (recorded as other long-term borrowings)

	December 31, 2018		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CTBC Bank	1.2457	$ 500,000
Less: discount			307
Total			$ 499,693

The Group disclosed the related risk exposure to the financial instruments in note 6(aa).

(iv) Collateral of loans

The Group pledged certain assets for the loans. Please refer to note 8 for additional information.

(v) Special agreements of loan contracts

The Group entered into syndicated loan contracts with Taipei Fubon Bank and seven other banks:

1) Borrower: TSRC (USA) Investment Corporation.
2) Amount: USD80,000,000.
3) Duration: Originally 5 years (starting from March 31, 2011). According to the contracts, TSRC (USA) Investment Corporation could extend the duration for two more years when the loan mature in March 2016.

4) Interest rate: 3-month or 6-month LIBOR plus 1.30%.
5) Repayment term: Principal that borrower is repaid semi-annually in 8 installments starting 18 months after the date of initial utilization of the loan. Principal amount of the loan that borrower is repaid semi-annually in 7 installments starting 24 months from the date of initial utilization of the loan. Each of the first 6 installments is 10% of the principal, and the final installment is 40% of the principal. Starting from March 2016, borrower will repay the outstanding amount USD32,000 thousand semi-annually in 5 installments.
6) Guarantee: The Company provided a guarantee for TSRC (USA) Investment Corporation.
7) Others: During the period of borrowing, the Group should comply with the covenants. As of December 31, 2017, the Group was in compliance with the covenants described above. The loans was repaid in 2017.

(iv) Finance lease liabilities

The Group has entered into a lease contract for leasing a parcel of land from the Industrial Development Bureau of the Ministry of Economic Affairs for the period from June 29, 2004, to June 28, 2024. During the term of the lease, the Group has an option to purchase the rented land from the Industrial Development Bureau of the Ministry of Economic Affairs through a formal application. Once the application is approved, the rental and deposit paid during the lease period can be offset against the purchase price. The Group intends to purchase the rented land after the contract expires. The finance lease liabilities payable were as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2018			
Less than one year	$ 7,064	77	6,987
Between one and five years	28,256	1,054	27,202
More than five years	3,532	1,883	1,649
	$ 38,852	3,014	35,838

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2017			
Less than one year	$ 7,064	77	6,987
Between one and five years	28,256	1,054	27,202
More than five years	10,595	2,362	8,233
	$ 45,915	3,493	42,422

(o) Current provisions (recorded as other payable)

	Onerous Contracts	Provision for defective products	Total
Balance at January 1, 2018	$ -	28,324	28,324
Increase in provisions	-	33,103	33,103
Provisions recognized	-	(1,466)	(1,466)
Reversal of unused provisions	-	(32,563)	(32,563)
Effect of changes in exchange rates	-	(270)	(270)
Balance at December 31, 2018	$ -	27,128	27,128
Balance at January 1, 2017	$ 33,599	-	33,599
Increase in provisions	-	58,828	58,828
Provisions recognized	(32,789)	-	(32,789)
Reversal of unused provisions	-	(30,674)	(30,674)
Effect of changes in exchange rates	(810)	170	(640)
Balance at December 31, 2017	$ -	28,324	28,324

In order to meet its obligation in the sales contracts, the Group expected the benefit to be lower than the expected cost. The Group accrued its provision according to the contracts, and recorded it under other income and expenses. The Group may have losses caused by the defeats of new products that are not yet mass produced and by the return and compensation occurred after products were delivered to customers. The Group had estimated the provisions based on historical experience and recognized the amount under operating cost.

(p) Operating leases

(i) Lessee

Non-cancellable rental payables of operating leases were as follows:

	December 31, 2018	December 31, 2017
Less than five years	$ 247,585	173,442
More than five years	126,856	132,564
	$ 374,441	306,006

The Group leases offices and factory facilities under operating leases. The leases typically run for a period of 1 to 20 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract.

For the years ended December 31, 2018 and 2017, lease expenses were $103,860 thousand and $99,299 thousand, respectively.

(ii) Lessor

The Group leases out its investment property under operating leases; please refer to note 6(k). The future minimum lease payment receivables under Non-cancellable leases were as follows:

	December 31, 2018	December 31, 2017
Less than five years	$ 68,626	123,408

(q) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	December 31, 2018	December 31, 2017
The present value of the defined benefit obligations	$ 607,256	598,028
Fair value of plan assets	(467,801)	(423,675)
The net defined benefit liability	$ 139,455	174,353

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to $467,801 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Defined benefit obligation as of 1 January	$	598,028	636,379
Current service costs and interest		14,742	14,510
Remeasurements of net defined benefit liability (asset)			
- Return on plan assets (excluding current interest expense)		21,429	10,500
- Due to changes in financial assumption of actuarial (losses) gains		12,848	(13,674)
Benefits paid by the plan		(39,791)	(49,687)
Defined benefit obligation as of 31 December	$	607,256	598,028

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Fair value of plan assets as of January 1	$	423,675	462,360
Remeasurements of net defined benefit liability (asset)			
- Return on plan assets (excluding current interest expense)		18,090	4,306
Contributions made		65,827	6,696
Benefits paid by the plan		(39,791)	(49,687)
Fair value of plan assets as of December 31	$	467,801	423,675

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Current service cost	$	6,710	7,526
Net interest on the defined benefit liability (asset)		2,365	1,931
	$	9,075	9,457

The Group recognized pension costs of the defined benefit plans in profit or loss as follows:

		2018	2017
Operating costs	$	5,555	4,155
Operating expenses		3,520	2,651
	$	9,075	9,457

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Balance of January 1	$	(178,457)	(180,884)
Recognized during the period		(21,854)	2,427
Balance of December 31	$	(200,311)	(178,457)

6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	December 31, 2018	December 31, 2017
Discount rate	1.125%	1.375%
Future salary increases rate	1.500%	1.500%

The Group expects to make contributions of $4,535 thousand to the defined benefit plans in the next year starting from the reporting date of 2018.

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The weighted-average duration of the defined benefit plan is 11.22 years.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Group uses judgments and estimations to determine the related actuarial assumptions, including discount rate, employee turnover rates and future salary changes, as of the balance sheet date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2018 and 2017, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

		The impact of defined benefit obligation	
		Increase 0.25%	Decrease 0.25%
December 31, 2018			
Discount rate	$	(12,848)	13,291
Future salary increase rate		12,819	(12,450)
December 31, 2017			
Discount rate		(13,240)	13,674
Future salary increase rate		13,232	(12,877)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(ii) Defined contribution plans

The Group has made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution plan were $101,634 thousand and $100,426 thousand for the years 2018 and 2017, respectively. Payments were made to the Bureau of Labor Insurance and to local government for the overseas subsidiaries.

(iii) Short-term employee benefit liabilities

		December 31, 2018	December 31, 2017
Compensated absence liabilities	$	39,821	36,057

(r) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing 2018.

(i) Income tax expenses

The amount of the Group's income tax for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Current income tax expense			
Current period	$	310,548	251,217
Adjustment for prior periods		7,924	11,857
		318,472	263,074
Deferred tax expense			
Origination and reversal of temporary differences		78,301	24,344
Income tax expenses on continuing operations	$	396,773	287,418

Reconciliations of the Group's income tax expense (benefit) and the profit before tax for 2018 and 2017 were as follows:

	2018	2017
Income before tax	$ 1,630,443	1,137,135
Income tax calculated on pretax accounting income at statutory rate	$ 326,087	193,313
Effect of tax rates in foreign jurisdiction	42,714	80,799
Dividend income	(10,885)	(8,727)
Adjustment for prior periods	7,924	11,857
Domestic investment loss	(94,488)	21,022
Foreign investment income	(20,264)	(5,813)
R&D tax credits utilized	(7,900)	(6,163)
Withholding tax of revenue from overseas	35,076	34,551
Adjustment of tax rates	51,772	(61,765)
Current-year losses for which no deferred income tax asset was recognized	80,800	-
Change in unrecognized temporary differences	7,117	-
Others	(21,180)	28,344
Total	$ 396,773	287,418

(ii) Recognized deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Group deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018
Tax effect of deductible Temporary Differences	$ 7,117
The carryforward of unused tax losses	80,800
	$ 87,917

Under the income tax rate, tax losses can be carried forward for ten years to offset taxable income after permitted by domestic tax authority. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Group can utilize the benefits therefrom.

As of December 31, 2018, the amount of tax losses not yet recognized as deferred tax assets and their credit for the previous year is as follows:

Year	Amount	Year of expiration
2016	$ 19,985	2026
2018	60,815	2028
	$ 80,800	

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2018 and 2017 were as follows:

Deferred tax assets:

	Defined benefit plans	Allowance for inventory valuation	Loss carryforward	Others	Total
Balance at January 1, 2018	$ 30,053	46,542	66,262	149,641	292,498
Recognized in profit or loss	(6,533)	6,672	(8,868)	(39,450)	(48,179)
Balance at December 31, 2018	$ 23,520	53,214	57,394	110,191	244,319
Balance at January 1, 2017	$ 19,704	45,655	135,889	120,469	321,717
Recognized in profit or loss	10,349	887	(69,627)	29,172	(29,219)
Balance at December 31, 2017	$ 30,053	46,542	66,262	149,641	292,498

Deferred tax liabilities:

	Foreign investment income accounted for under equity method	Depreciation difference between financial and tax reporting	Land value increment tax	Others	Total
Balance at January 1, 2018	$ 324,654	93,866	56,683	190,357	665,560
Recognized in profit or loss	102,821	1,390	-	(74,089)	30,122
Balance at December 31, 2018	$ 427,475	95,256	56,683	116,268	695,682
Balance at January 1, 2017	$ 311,287	170,383	56,683	132,082	670,435
Recognized in profit or loss	13,367	(76,517)	-	58,275	(4,875)
Balance at December 31, 2017	$ 324,654	93,866	56,683	190,357	665,560

(iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2016.

(s) Capital and other equity

(i) Capital

In accordance with the Company' s articles of incorporation amended on June 21, 2018, the capital share of the Company amounted to $12,000,000 thousand, divided into 1,200,000,000 shares, at NTD10 per share.

In accordance with the original Company's articles of incorporation, the capital share of the Company amounted to $9,000,000 thousand, divided into 900,000,000 shares, at NTD10 per share.

As of December 31, 2018 and 2017, 825,709,978 shares of ordinary were issued.

(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2018 and 2017, were as

	December 31, 2018	December 31, 2017
Share premium	$ 849	849
Overaging unclaimed dividends	44,309	40,194
	$ 45,158	41,043

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

1) Legal reserve

The ROC Company Act stipulates that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of issued share capital. When a Company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed.

2) Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) were reclassified to retained earnings at the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified $(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not

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qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of retained earnings

In accordance with the Company's articles of incorporation amended on June 21, 2018, the profit of annual account, if any, shall deduct the tax and make up the loss carried from previous years, then appropriate 10% as legal reserve fund. The rest shall be distributed or reserved as special reserve pursuant to the Securities and Exchange Act. The distributable earnings shall be the balance after considering the above facts and accounting requirement by the relevant law, if any, plus the unappropriated earnings from the previous period; With regard to distribution of surplus, it is proposed to distribute the available surplus.

With regard to the distribution of the dividends of the above-mentioned shareholders, their cash dividend must not be less than 20% of the total amount distributed.

In accordance with the original Company's articles of incorporation, the Company must retain 10% of its after-tax earnings as legal reserve (less deficits of prior years, if any) and then provide a special reserve. No less than 50% of distributable earnings shall be appropriated to shareholders.

If the dividends and bonuses mentioned above were to be distributed, distribution of cash dividends should not be less than 20% of total dividends, and the distribution of stock dividends should not be more than 80% of total dividends. If the dividends per share are less than $0.5 (dollars), part or all of the remaining earnings can be retained.

In accordance with the revised ROC Company Act, remuneration for employees, directors and supervisors is no longer subject to earnings distribution. With respect to the items of earnings distribution, the stockholders' meeting on June 24, 2016, approved a resolution to amend the articles of the Company. Please refer to note 6(t).

The appropriations of 2017 and 2016 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 21, 2018, and June 22, 2017, respectively, were as follows:

	2017		2016	
	Amount per share (NTD)	Total amount	Amount per share (NTD)	Total amount
Dividends distributed to common shareholders:				
Cash	$ 0.96	792,682	1.00	825,710

(iv) Other equities (net for tax)

	Foreign exchange differences arising from foreign	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available-for-sale financial assets	Effective portion of cash flow hedges	Total
Balance as of January 1, 2018 (after adjustments of retrospective application)	$ 512,008	-	623,809	11,721	1,147,538
Effects of retrospective application	-	593,961	(623,809)	-	(29,848)
Balance at January 1, 2018 after adjustments	512,008	593,961	-	11,721	1,117,690
Foreign exchange differences arising from foreign operation	24,421	-	-	-	24,421
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(70,840)	-	-	-	(70,840)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	207,844	-	-	207,844

	Foreign exchange differences arising from foreign	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available-for-sale financial assets	Effective portion of cash flow hedges	Total
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-			(79,855)	(79,855)
Balance as of December 31, 2018	$ 465,589	801,805	-	(68,134)	1,199,260

	Foreign exchange differences arising from foreign	Available-for-sale financial assets	Effective portion of cash flow hedges	Total
Balance as of January 1, 2017	$ 990,359	735,464	(23,562)	1,702,261
Foreign exchange differences arising from foreign operation	(534,213)	-	-	(534,213)
Share of other comprehensive income of associates accounted for under equity method, exchange differences on translation	55,862	-	-	55,862
Unrealized gains (losses) from available-for-sale financial assets	-	(111,655)	-	(111,655)
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-		35,283	35,283
Balance as of December 31, 2017	$ 512,008	623,809	11,721	1,147,538

(t) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share were as follows:

(i) Basic earnings per share

	2018	2017
Net income attributable to common shareholders of the Company	$ 1,192,186	874,107
Weighted-average number of common shares	825,710	825,710
Basic earnings per share (in NTD)	$ 1.44	1.06

(ii) Diluted earnings per share

	2018	2017
Net income attributable to common shareholders of the Company (diluted)	$ 1,192,186	874,107
Weighted-average number of common shares (basic)	825,710	825,710
Impact of potential common shares	2,683	1,603
Effect of employees' bonuses	828,393	827,313
Weighted-average number of shares outstanding (diluted)	$ 1.44	1.06
Diluted earnings per share (in NTD)		

(u) Employees' compensation and directors' remuneration

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company should contribute more than 1% of its profit as employees' compensation, and less than 1% as directors' remuneration. The related regulations on distribution of employees' compensation and directors' remuneration were approved by the board of directors.

For the years ended December 31, 2018 and 2017, the estimated amounts of employees' bonuses were $64,290 thousand and $49,732 thousand, respectively, and the estimated amounts of directors' remuneration were $14,064 thousand and $9,558 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

(v) Revenue from contracts with customers

	2018		
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	$ 19,476,346	1,675,761	21,152,107
America	4,444,409	15,632	4,460,041
Europe	3,314,608	-	3,314,608
Others	824,410	52	824,462
	$ 28,059,773	1,691,445	29,751,218
Major product lines:			
Synthetic rubber / elastomers	$ 27,112,256	-	27,112,256
Applied materials	-	1,689,317	1,689,317
Others	947,517	2,128	949,645
	$ 28,059,773	1,691,445	29,751,218

For details on revenue for the year ended December 31, 2017, please refer to note 6(w).

(w) Revenue

	2017
Sale of goods	$ 31,745,601
Service income	20,636
	$ 31,766,237

For details on revenue for the year ended December 31, 2018, please refer to note 6(v).

(x) Other income and expenses

	2018	2017
Rental income	$ 80,276	76,870
Royalty income	131,530	101,540
Net service income	13,854	8,898
Depreciation of investment properties	(14,726)	(14,725)
Net other income	41,579	46,453
Other income and expenses	$ 252,513	219,036

(y) Non-operating income and expenses

(i) Other gains

	2018	2017
Interest income	$ 78,175	51,122
Dividend income	81,371	52,343
Gains from bargain purchase	11,820	-
Other gains	$ 171,366	103,465

(ii) Other gains and losses

	2018	2017
Loss on disposal of property, plant and equipment, net	$ (23,824)	(8,997)
Gains on disposals of investment	-	154,458
Foreign exchange gain, net	7,380	25,793
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	23,685	(120)
Other income	21,736	8,125
Other gains and losses, net	$ 28,977	179,259

(iii) Finance costs

	2018	2017
Interest expense	$ 169,434	188,149

(z) Reclassification of components of other comprehensive income

The changes in components of other comprehensive income were as follows:

	2018	2017
Effective portion of cash flow hedges:		
Net gains (losses) for current year	$ (86,325)	44,784
Less: Adjustment of reclassification included in profit or loss	(6,470)	9,501
Net gains (losses) recognized in other comprehensive income	$ (79,855)	35,283
Available-for-sale financial assets		
Net change in fair value for current period	$ -	(111,655)
Net change in fair value reclassified to profit or loss	-	-
Net changes in fair value recognized in other comprehensive income	$ -	(111,655)

(aa) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2018 and 2017, the maximum credit risk exposure amounted to $9,416,810 thousand, and $8,591,408 thousand, respectively.

2) Concentration of credit risk

The Group's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Group deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Group concluded that it is not exposed to credit risk. The Group guarantees bank loans for investees. The Group concluded that it is not exposed to credit risk for these transactions.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

		Contractual cash flows
December 31, 2018		
Non-derivative financial liabilities		
Short-term debts	$	4,173,699
Accounts payable (including related parties)		1,514,522
Other payables		997,500
Long-term debts (including other long-term borrowings and current portion)		5,286,619
Deposits received		49,266
Provision for guarantee liabilities - non-current		4,159,941
Derivative financial liabilities		
Other forward contracts:		
Outflow		2,066
	$	16,183,613
December 31, 2017		
Non-derivative financial liabilities		
Short-term debts	$	6,403,311
Short-term commercial paper payable		349,975
Accounts payable (including related parties)		1,828,755
Other payables		882,853
Long-term debts (including current portion)		1,623,419
Deposits received		42,276
Provision for guarantee liabilities - non-current		2,709,687
Derivative financial liabilities		
Other forward contracts:		
Outflow		226
	$	13,840,502

The Group does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Risk exposure

The Group's financial assets and financial liabilities exposed to significant currency risk were as follows:

		Foreign currency	Exchange rate	NTD
December 31, 2018				
Financial assets:				
Monetary assets:				
USD	$	39,364	30.7330	1,209,774
EUR	$	12,984	35.2047	457,098
JPY	$	77,582	0.2784	21,599
CNY	$	17,665	4.4742	79,037
Financial liabilities:				
Monetary liabilities:				
USD	$	56,225	30.7330	1,727,963
EUR	$	11,634	35.2047	409,571
JPY	$	24,691	0.2784	6,874

Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
3,936,374	237,325	-	-	-
1,514,522	-	-	-	-
997,500	-	-	-	-
468,567	466,625	628,261	3,723,166	-
49,266	-	-	-	-
732,738	797,995	898,940	1,730,268	-
2,066	-	-	-	-
7,701,033	1,501,945	1,527,201	5,453,434	-
5,941,195	462,116	-	-	-
349,975	-	-	-	-
1,828,755	-	-	-	-
882,853	-	-	-	-
409,057	408,617	805,745	-	-
42,276	-	-	-	-
526,562	662,625	526,562	-	993,938
226	-	-	-	-
9,980,899	1,533,358	1,332,307	-	993,938

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		Foreign currency	Exchange rate	NTD
December 31, 2017				
Financial assets:				
Monetary assets:				
USD	$	38,486	29.8480	1,148,730
EUR	$	14,867	35.6743	530,370
JPY	$	130,957	0.2649	34,691
CNY	$	19,566	4.5788	89,589
Financial liabilities:				
Monetary liabilities:				
USD	$	75,539	29.8480	2,254,688
EUR	$	13,560	35.6743	483,744
JPY	$	109,006	0.2649	28,876

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the USD, EUR, CNY and JPY had appreciated depreciated by 1% the Group's net income before tax would have increase/decreased by $3,769 thousand and $9,639 thousand for the years ended December 31, 2018 and 2017, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized) amounting to $7,380 thousand and $25,793 thousand.

(iv) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Group's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates of the non-derivative financial instruments on the reporting date. For floating-rate instruments, the sensitivity analysis assumes the floating-rate liabilities as of the reporting date are outstanding for the whole year.

If the interest rate had increased / decreased by 1%, the Group's net income before tax would have increased / decreased by $92,158 thousand and $79,653 thousand for the years ended December 31, 2018 and 2017, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating-rates.

(v) Fair value

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

	December 31, 2018				
	Carrying amount	Fair value Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	$ 679	-	679	-	679
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	305,631	305,631	-	-	305,631
Unlisted stocks (domestic and overseas)	994,175	-	-	994,175	994,175
Subtotal	1,299,806	305,631	-	994,175	1,299,806
Financial assets measured at amortized cost					
Cash and cash equivalents	4,527,752	-	-	-	-

	December 31, 2018				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Accounts and notes receivables	3,432,837	-	-	-	-
Other receivables	91,395	-	-	-	-
Refundable deposit	64,341	-	-	-	-
Subtotal	8,116,325	-	-	-	-
Total	$ 9,416,810	305,631	679	994,175	1,300,485
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	$ 2,066	-	2,066	-	2,066
Financial liabilities measured at amortized cost					
Short-term borrowings	4,147,772	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	5,068,018	-	-	-	-
Notes and accounts payable	1,514,522	-	-	-	-
Other payables	997,500	-	-	-	-
Deposits received	49,266	-	-	-	-
Subtotal	11,777,078	-	-	-	-
Total	$ 11,779,144	-	2,066	-	2,066

	December 31, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Listed stocks (domestic)	$ 235,024	235,024	-	-	235,024
Unlisted stocks (domestic and overseas)	885,097	-	885,097	-	885,097
Subtotal	1,120,121	235,024	885,097	-	1,120,121
Loans and receivables					
Cash and cash equivalents	3,560,440	-	-	-	-
Accounts and notes receivable	3,817,055	-	-	-	-
Other receivables	76,088	-	-	-	-
Refundable deposit	17,704	-	-	-	-
Subtotal	7,471,287	-	-	-	-
Total	$ 8,591,408	235,024	885,097	-	1,120,121
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	$ 26	-	226	-	226
Financial liabilities measured at amortized cost					
Short-term borrowings	6,365,254	-	-	-	-
Short-term notes and bills payable	349,975	-	-	-	-
Long-term borrowings (including current portion)	1,600,000	-	-	-	-
Accounts payables (including related parties)	1,828,755	-	-	-	-
Other payables	882,853	-	-	-	-
Deposits received	42,276	-	-	-	-
Total	$11,069,339	-	226	-	226

2) Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Group have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Group uses market comparison approach to evaluate the fair value. The main assumption is based on the investee's earnings after tax and the listed (over the counter) Company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity. The liquidity discount is a significant unobservable input in valuing equity investment. Forward exchange contracts are normally priced based on the exchange rates provided by the world agencies.

3) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2018	$ 885,097
Total gains recognized:	
In other comprehensive income	109,078
Balance at December 31, 2018	$ 994,175
Balance at January 1, 2017	$ 968,406
Total losses recognized:	
In other comprehensive income	(83,309)
Balance at December 31, 2017	$ 885,097

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed Company	• Multipliers of price-to-earnings ratios as of December 31, 2018 and 2017 were 13.20~17.32 and 14.81~15.13, respectively • Market illiquidity discount rate as of December 31, 2018 and 2017 was both 20%	The estimated fair value would increase (decrease) if • the multiplier were higher (lower) • the market illiquidity discount were lower (higher)

5) Fair value measurements in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Input	Assumptions	Other comprehensive income: Favourable	Other comprehensive income: Unfavourable
December 31, 2018				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	$ 12,431	(12,431)
December 31, 2017				
Available-for-sale financial assets				
Equity investments without an active market	Liquidity discount at 20%	1%	$ 11,068	(11,068)

The favourable and unfavourable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(ab) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

1) Credit risk
2) Liquidity risk
3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Group's finance department is responsible for the establishment and management of the Group's risk management framework and policies. It is overseen by and reports to management, the Audit Committee, and the Board of Directors regarding the framework's operations.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit, with undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and Notes Receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The Group's Accounts Receivable and Notes Receivable are mainly due from customers in China, accounting 43% and 50% of the total amount of the receivables as of December 31, 2018, and 2017, respectively.

The sales department and the finance department of the Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the history of transactions with the counter-party, its financial position, and geographic considerations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Goods are sold subject to a retention of title clause so that in the event of non payment, the Group may have a secured claim. The Group otherwise does not require collateral in respect of trade and other receivables.

The Group has established an allowance for doubtful accounts to reflect its actual and estimated potential losses resulting from uncollectible accounts and trade receivables. The allowance for doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on the use of lifetime expected credit loss provision.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Group's finance department. Since those who transact with the Group are banks and other external parties with good credit standing, financial institutions with a credit rating above investment grade, and government agencies, there are no non compliance issues. With regard to investment in a financial institution with a credit rating above investment grade, an investment limit is set according to the long-term credit rating. Hence, there is no significant credit risk.

3) Guarantees

The Group's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided by the Group as of December 31, 2018 and 2017, are disclosed in note 7 "Related-party Transactions."

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company. The currencies used in these transactions are NTD, EUR, USD, JPY and CNY.

Foreign exchange gains and losses resulting from account and trade receivables held by the Group in a currency other than the respective functional currencies are used to offset foreign exchange gains and losses resulting from short-term loans denominated in a foreign currency. Hence, the Group's risk exposure to foreign exchange risk is reduced.

Interest expenses are denominated in the same currency as that of the principal. Generally, the currency of loans matches that of the Group's operating cash flow, primarily consisting of NTD, EUR, USD, JPY, and CNY.

With regard to monetary assets and liabilities denominated in a foreign currency, when a short-term risk exposure exists, the Group relies on immediate foreign exchange transactions to ensure the net exposure to foreign exchange risk is maintained at an acceptable level.

The Group does not hedge against investments of related parties.

2) Interest rate risk

The interest rates of the Group's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Group's finance department monitors and measures potential changes in market conditions, entering into interest rate swaps to achieve a fixed interest rate on the Group's loans.

3) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements; such contracts are not settled on a net basis.

(ac) Capital management

The Group's goal of capital management is to ensure the Group's continuing operating capacity, and to continuously provide remuneration to the shareholders and benefits to other equity holders. To ensure that the above mentioned goal is achieved, the Group's management reviews its capital structure periodically. In consideration of the overall economic situation, financing cost and sufficiency of cash in flows generated by operating activities, the Group will adjust its capital structure by paying dividends, issuing new stock, purchasing treasury stock, increasing or decreasing loans, and issuing or purchasing bonds.

The Group's capital structure at the end of the reporting period were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 13,348,328	12,555,895
Total equity	16,881,841	16,443,446
Total assets	$ 30,230,169	28,999,341
Debts ratio	44%	43%

As of December 31, 2018, there were no material changes in the Group's debts ratio.

(ad) Investing and financing activities not affecting current cash flow

The Group did not have any non-cash flow transactions on investing and financing activities for the years ended December 31, 2018 and 2017.

(ad) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1, 2018	Cash flows	Foreign exchange movement	Amortization of commercial paper discount	December 31, 2018
Long-term borrowings (including current portion)	$ 1,600,000	2,953,662	14,663	-	4,568,325
Other long-term borrowings	-	494,940	-	4,753	499,693
Short-term borrowings	6,365,254	(2,525,355)	307,873	-	4,147,772
Short-term commercial paper payable	349,975	(350,477)	-	502	-
Total liabilities from financing activities	$ 8,315,229	572,770	322,536	5,255	9,215,790

<7> Related-party Transactions

(a) Names and relationship with related parties

In this consolidated financial report, the related parties having transactions with the consolidated group are listed as below:

Name of related party	Relationship with the Group
Indian Synthetic Rubber Private Limited	· The Group recognized joint venture under equity method (reclassified from associate to joint venture since April 2018)
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	· The Group recognized associates under equity method
Asia Pacific Energy Development Co., Ltd	〃
Taiwan Advanced Materials Corp	· The Group recognized joint venture under equity method
Nantong Qix Storage Co., Ltd.	〃
Marubeni Corporation	· Corporate investor of the consolidated entity
UBE Industrial Ltd.	〃
Nantong Chemical & Light Industry Co., Ltd.	· The ultimate controlling party of the investor, which recognized joint venture under equity method
Nantong Benny Petrochemicals Harbour Storage Co., Ltd.	· The controlling party of the investor, which recognized joint venture under equity method
UBE (Shanghai) Ltd.	· Subsidiary of corporate investor of the consolidated entity

(b) Significant transactions with related parties

(i) Operating revenue

The amounts of significant sales by the Group to related parties were as follows:

	2018	2017
Associates	$ 17,149	6,724

The sales price with related parties is not significantly different from normal transactions, and the payment terms were about one month.

(ii) Purchases

The amounts of purchase transactions with related parties were as follows:

	2018	2017
Associates	$ -	820
Others	212,465	569,766
	$ 212,465	570,586

There were no significant differences between the pricing of purchase transactions with related parties and that with other suppliers. The payment terms ranged from one to two months, which were similar to other suppliers.

(iii) Service income and expenses

The Group provided and received management, technologies and IT services to associates, joint ventures, and other related parties. The amounts recognized as other income and expenses were as follows:

		2018	2017
Associates			
Indian Synthetic Rubber Private Limited	$	15,197	45,830
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.		174,309	115,073
Joint ventures			
Indian Synthetic Rubber Private Limited		47,455	-
Others		3,786	1,512
Other related parties			
Others		(3,206)	(2,298)
	$	237,541	160,117

(iv) Receivable from related parties

The details of the Group's receivable from related parties were as follows:

Account	Type of related parties		December 31, 2018	December 31, 2017
Other receivable	Associates			
	Indian Synthetic Rubber Private Limited	$	-	32,707
	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.		21,365	22,167
Other receivable	Joint ventures			
	Indian Synthetic Rubber Private Limited		20,820	-
	Others		242	246
		$	42,427	55,120

(v) Payable to related parties

The details of the Group's payable to related parties were as follows:

Account	Type of related parties		December 31, 2018	December 31, 2017
Accounts payable	Other related parties	$	-	35,663
Other payable	Other related parties		908	703
		$	908	36,366

(vi) Guarantees

The credit limits of the guarantees the Group had provided on the bank loans of related parties were as follows:

		December 31, 2018	December 31, 2017
Associates			
Indian Synthetic Rubber Private Limited	$	-	1,656,563
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.		1,530,733	1,053,124
Joint ventures			
Indian Synthetic Rubber Private Limited		1,461,354	-
	$	2,992,087	2,709,687

Accordingly, the amounts of the Group increased provision liabilities and investments accounted for under equity method were as follows:

		December 31, 2018	December 31, 2017
Associates			
Indian Synthetic Rubber Private Limited	$	-	26,350
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.		4,428	649
Joint ventures			
Indian Synthetic Rubber Private Limited		24,761	-
	$	29,189	26,999

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2018	2017
Short-term employee benefits	$ 108,307	108,228
Post-employment benefits	1,288	1,078
	$ 109,595	109,306

<8> Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2018	December 31, 2017
Restricted savings deposits (recorded as other non-current assets)	Deposit for safety production	$ -	4,175
Machinery etc. (recorded property, plant and equipment)	Guarantee for long-term borrowings	361,731	-
		$ 361,731	4,175

<9> Commitments and Contingencies

(a) As of December 31, 2018 and 2017, the Group's unused letters of credit outstanding for purchases of materials were $2,050,872 thousand and $1,653,768 thousand, respectively.

(b) As of December 31, 2018 and 2017, the Group's signed construction and design contracts with several factories totaled $1,717,411 thousand and $129,184 thousand, respectively, of which $466,392 thousand and $101,616 thousand, respectively, were paid.

<10> Losses Due to Major Disasters: None.

<11> Subsequent Events: None.

<12> Others

(a) A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By nature	Year ended December 31, 2018			Year ended December 31, 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	935,385	633,012	1,568,397	879,970	609,067	1,489,037
Labor and health insurance	84,622	55,575	140,197	79,502	55,692	135,194
Pension	73,865	36,844	110,709	72,702	37,181	109,883
Directors' remuneration	-	40,402	40,402	-	23,250	23,250
Others (note 1)	162,922	88,733	251,655	139,389	80,769	220,158
Depreciation (note 2)	743,685	116,164	859,849	728,048	125,997	854,045
Amortization	6,422	146,218	152,640	6,793	142,211	149,004

Note1 : Others personnel expenses included meals, employee welfare, training expenses and employees' bonus.

Note2 : Depreciation expenses for investment property recognized under other income and expenses amounting to $14,726 thousand $14,725 for the years ended December 31, 2018 and 2017 were excluded.

<13> Other Disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Group:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	154,592	147,649
2	TSRC (Nantong) Industries Ltd.	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Loan	Yes	328,028	313,194

Note1 : The loan limit extended per party of TSRC (Shanghai) Industries Ltd. should not be over 10% of total equity. However, if the counterparty is a subsidiary 100% owned, directly or indirectly by TSRC, the loan limit extended per party should not be over 50% of the total equity of the most recent financial statements audited or reviewed by a CPA.

Note2 : The maximum loan extended to all parties of TSRC (Shanghai) Industries Ltd. should not be over 40% of total equity. However, if the counterparty is a subsidiary 100.00% owned, directly or indirectly by TSRC, the total loan limit should not be over 100% of total equity of the most recent financial statements audited or reviewed by a CPA .

Note3 : The loan limit extended per party of TSRC (Nantong) Industries Ltd. should not be over 10% of total equity.

Note4 : The maximum loan extended to all parties of TSRC (Nantong) Industries Ltd. should not be over 40% of total equity.

Note5 : TSRC (Shanghai) Industries Ltd., and TSRC (Nantong) Industries Ltd. are 100.00% owned by TSRC. ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. is a foreign Company with TSRC holding 50% of its equity.

Note6 : Credit period: The financing period should not be over one year.

Note7 : Loans to other parties numbering is as follows:(1)if it's ordinary business relationship, the number is "1".(2)if it needs short-term financial funds, the number is "2".

Note8 : The transactions within the Group were eliminated in the consolidated financial statements.

(ii) Guarantees and endorsements for other parties:

No.	Name of Company	Counter-party of guarantee and endorsement: Name	Counter-party of guarantee and endorsement: Relationship with the Company	Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements
0	TSRC	TSRC (USA) Investment Corporation	4	(Note 2)	464,520	460,995
0	TSRC	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,530,733	1,530,733
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,622,265	1,461,354
0	TSRC	TSRC (Vietnam) Co., Ltd.	4	(Note 2)	402,584	399,529
0	TSRC	Dexco Polymers L.P.	4	(Note 2)	308,550	307,330

Note1 : The guarantee's relationship with the guarantor is as follows:
(1)A Company with which it does business.
(2)A Company in which the public Company directly and indirectly holds more than 50 percent of the voting shares.
(3)A Company that directly and indirectly holds more than 50 percent of the voting shares in the public Company.
(4)A Company in which the public Company holds, directly or indirectly, 90% or more of the voting shares.
(5)A Company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another Company in the same industry or for joint builders for purposes of undertaking a construction project.
(6)A Company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested Company in proportion to their shareholding percentages.
(7)Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note2 : The guaranteed amount is limited to 50% of total equity amounting to $7,655,502 thousand.

Note3 : The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to $22,966,505 thousand.

Note4 : The transactions within the Group were eliminated in the consolidated financial statements.

Unit: thousand NTD

Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers (Note 5)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing Company	Maximum financing limit for the lender
						Item	Value		
-	3.915%	2	-	Operating capital	-		-	213,302 (Note 1)	426,603 (Note2)
-	5.11%	2	-	Operating capital	-		-	434,858 (Note 2)	1,739,431 (Note3)

Unit: thousand NTD

Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of Company in Mainland China
460,995	-	3.01%	(Note 3)	Y		
425,950	-	10.00%	(Note 3)			Y
1,461,354	-	9.54%	(Note 3)			
-	-	2.61%	(Note 3)	Y		
307,330	-	2.01%	(Note 3)	Y		

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name
TSRC	Taiwan High Speed Rail Corporation	-	Financial assets at fair value through other comprehensive income - non-current
TSRC	Evergreen Steel Corporation	-	Financial assets at fair value through other comprehensive income - non-current
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current
TSRC	Hsin Yung Enterprise Corporation	-	Financial assets at fair value through other comprehensive income - non-current
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income - non-current

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.

(v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.

(vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.

(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD300 million or 20% of the capital stock:

Name of Company	Counter-party	Relationship
TSRC (Lux.) Corporation S.à r.l.	TSRC	Related parties
TSRC	TSRC (Lux.) Corporation S.à r.l.	Related parties
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties
TSRC (Lux.) Corporation S.à r.l.	Dexco Polymers L.P.	Related parties
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.à r.l.	Related parties
TSRC (Lux.) Corporation S.à r.l.	TSRC (Nantong) Industries Ltd.	Related parties
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.à r.l.	Related parties
Dexco Polymers L.P.	TSRC (Nantong) Industries Ltd.	Related parties
TSRC (Nantong) Industries Ltd.	Dexco Polymers L.P.	Related parties

Note1: The transactions within the Group were eliminated in the consolidated financial statements.

Unit: thousand NTD

Ending balance				Maximum investment in 2018	Remarks
Number of shares	Book value	Holding percentage	Market value		
10,001,000	305,631	0.18%	305,631	100,010	
12,148,000	366,991	3.00%	366,991	209,878	
599,999	146,220	5.42%	146,220	65,143	
5,657,000	276,853	3.90%	276,853	64,296	
837,552	204,111	7.57%	204,111	58,674	
	1,299,806		1,299,806	498,001	

Unit: thousand NTD

Transaction details				Status and reason for deviation from arm's length transaction		Account / note receivable (payable)		Remarks
Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Purchase	178,675	6.37%	70 days	-		(17,076)	(5.19%)	
Sale	(178,675)	(1.65%)	70 days	-		17,076	1.52%	
Purchase	116,398	2.04%	14 days	-		-	-	
Purchase	427,649	70.56%	40 days	-		(10,392)	(34.66%)	
Sale	(427,649)	(9.18%)	40 days	-		10,392	1.97%	
Purchase	998,093	35.59%	90 days	-		(46,980)	(14.29%)	
Sale	(998,093)	(22.94%)	90 days	-		46,980	10.21%	
Purchase	1,625,167	57.96%	70 days	-		(263,933)	(80.27%)	
Sale	(1,625,167)	(34.87%)	70 days	-		263,933	50.01%	
Purchase	237,940	8.39%	70 days	-		(14,115)	(6.26%)	
Sale	(237,940)	(5.11%)	70 days	-		14,115	2.67%	

(viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock:Unit:

Name of related party	Counter-party	Relationship	Balance of receivables from related party
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.à r.l.	Related parties	263,933

Note1: Transactions within the Group were eliminated in the consolidated financial statements.
Note2: Until March 14, 2019.

(ix) Trading in derivative instruments: Please refer to notes 6(b).

(x) Business relationships and significant interCompany transactions:

No.	Name of Company	Name of counter party	Existing relationship with the counter-party
0	TSRC	TSRC (Nantong) Industries Ltd.	1
0	TSRC	TSRC (Nantong) Industries Ltd.	1
0	TSRC	TSRC (Lux.) Corporation S.à r.l	1
0	TSRC	Polybus Corporation Pte Ltd.	1
0	TSRC	Dexco Polymers L.P.	1
0	TSRC	TSRC (Nantong) Industries Ltd	1
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.à r.l.	3
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.à r.l	3
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3
1	TSRC (Nantong) Industries Ltd.	Dexco Polymers L.P.	3
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.à r.l.	3
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.à r.l.	3
3	Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd.	3
4	TSRC (Lux.) Corporation S.à r.l.	TSRC	2
5	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3
0	TSRC	TSRC (USA) Investment Corporation	1
0	TSRC	TSRC (Vietnam) Co., Ltd.	1
0	TSRC	Dexco Polymers L.P.	1

Note1 : Company numbering is as follows:(1)Parent company-0.(2)Subsidiary starts from 1.
Note2 : The number of the relationship with the transaction counterparty represents the following:(1)1 represents downstream transactions.(2)2 represents upstream transactions.(3)3 represents midstream transactions.
Note3 : For balance sheet items, over 0.1% of total consolidated assets, and for profit or loss items, over 0.1% of total consolidated revenue were selected for disclosure.
Note4 : TSRC's guarantees for bank loans of investees.
Note5 : The transactions within the Group were eliminated in the consolidated financial statements.

Unit: thousand NTD

Turnover rate (Note 1)	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
	Amount	Action taken		
6.22	-		108,614	-

Unit: thousand NTD

Transaction details			
Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
Sales revenue	49,236	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.17%
Other income and expenses	49,882	〃	0.17%
Sales revenue	178,675	〃	0.60%
Sales revenue	83,982	〃	0.28%
Accounts receivable	30,231	〃	0.10%
Other income and expenses	36,031	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.12%
Sales revenue	76,593	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.26%
Sales revenue	427,649	〃	1.44%
Sales revenue	1,625,167	〃	5.46%
Accounts receivable	263,933	〃	0.87%
Other income and expenses	200,566	〃	0.67%
Sales revenue	237,940	〃	0.80%
Sales revenue	998,093	The transaction is not significantly different from normal transactions, and the collection terms were about three months	3.35%
Accounts receivable	46,980	〃	0.16%
Sales revenue	57,427	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.19%
Other income and expenses	47,643	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.16%
Sales revenue	38,155	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.13%
Note 4	460,995	-	-
Note 4	399,529	-	-
Note 4	307,330	-	-

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business
TSRC	Trimurti Holding Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Hardison International Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Taiwan Advanced Materials Corp.	No 39, Bengong 1st Rd., Gangshan Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of TPE
TSRC	TSRC (Vietnam) Co., Ltd.	8 VSIP II-A Street 31, Vietnam Singapore Industrial Park II-A, Tan Uyen Town, Binh Duong Province, Vietnam	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	100 Peck Seah Street #09 16 Singapore 079333	International commerce and investment corporation
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi 110016, India	Produchion and sale of synthetic rubber products
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.à r.l.	34 36 avenue de la Liberte L-1930 Luxembourg	International commerce and investment corporation
TSRC (Lux.) Corporation S.à r.l.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware. ,19808.	Investment corporation
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston, TX77079	Production and sale of TPE
Hardison International Corporation	Triton International Holdings Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design

Note1 : Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.733; EUR1 to NTD35.2047).

Note2 : TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation.

Note3 : Taiwan Advance Materials Corp. has been liquidated in December, 2018.

Note4 : Transactions within the Group were eliminated in the consolidated financial statements.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2018
Shen Hua Chemical Industries Co., Ltd.	Production and sale of synthetic rubber products	1,266,814 (USD41,220)	(2)a.	-
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	709,932 (USD23,100)	(2)c.	117,769 (USD3,832)
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	169,032 (USD5,500)	(2)b.	120,473 (USD3,920)
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	92,199 (USD3,000)	(2)d.	46,100 (USD1,500)
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,229,320 (USD40,000)	(2)a.	30,733 (USD1,000)
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	3,230,807 (USD105,125)	(2)a.	204,313 (USD6,648)
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,376,838 (USD44,800)	(2)a.	-

Note1 : The method of investment is divided into the following four categories:

(1)Remittance from third-region companies to invest in Mainland China.

(2)Through the establishment of third-region companies then investing in Mainland China.

a. Through the establishment of Polybus Corporation Pte. Ltd. then investing in Mainland China.

b. Through the establishment of TSRC (Hong Kong) Limited then investing in Mainland China.

c. Through the establishment of Asia Pacific Energy Development Co., Ltd. then investing in Mainland China.

d. Through the establishment of Triton International Holdings Corporation then investing in Mainland China.

(3)Through transferring the investment to third-region existing companies then investing in Mainland China.

(4)Other methods: EX: delegated investments.

Unit: thousand NTD/thousand USD/thousand EUR

Original cost		Ending balance			Maximum investment amount in 2018	Net income (loss) of investee	Investment income (loss)	Remarks
December 31, 2018	December 31, 2017	Shares	Percentage of ownership	Book value				
1,005,495	1,005,495	86,920,000	100.00%	13,133,229	1,005,945	994,253	996,552	Subsidiary
109,442	109,442	3,896,305	100.00%	860,521	109,442	66,590	66,590	Subsidiary
38,376	38,376	1,161,004	19.48%	174,404	38,376	73,827	14,381	Subsidiary (note 2)
-	720,000	-	-	-	720,000	(4,523)	(2,171)	(note 3)
278,280	-	-	100.00%	274,395	278,280	(2,160)	(2,160)	-
2,007,749 (USD65,101)	2,007,749 (USD65,101)	105,830,000	100.00%	8,026,341	2,007,749	684,472	684,472	Indirectly owned subsidiary
2,392,564 (USD77,850)	2,392,564 (USD77,850)	77,850,000	100.00%	3,233,985	2,392,564	107,041	107,041	Indirectly owned subsidiary
905,794 (USD29,473)	861,907 (USD28,045)	222,861,375	50.00%	363,141	905,794	450,085	200,977	-
1,788,399 (EUR50,800)	1,788,399 (EUR50,800)	50,800,000	100.00%	2,689,129	1,788,399	46,818	46,818	Indirectly owned subsidiary
2,152,847 (USD70,050)	2,152,847 (USD70,050)	100	100.00%	2,617,901	2,152,847	43,108	43,108	Indirectly owned subsidiary
5,919,698 (USD192,617)	5,919,698 (USD192,617)	-	100.00%	1,560,956	5,919,698	230,238	230,238	Indirectly owned subsidiary
1,537 (USD50)	1,537 (USD50)	50,000	100.00%	115,984	1,537	7,580	7,580	Indirectly owned subsidiary
147,488 (USD4,799)	147,488 (USD4,799)	4,798,566	80.52%	742,210	147,488	73,827	59,446	Indirectly owned subsidiary
346,822 (USD11,285)	346,822 (USD11,285)	7,522,337	37.78%	408,632	346,822	139,268	52,616	-

Unit: thousand NTD / thousand USD

Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2018	Net income (loss) of investee	Direct / indirect investment holding percentage	Maximum investment in 2018	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
Remittance amount	Repatriation amount							
-	-	-	47,054	65.44%	829,003	30,792 (note 2)	1,767,378	4,379,389
-	-	117,769 (USD3,832)	243,514	28.34%	201,195	69,012 (note 3)	488,307	-
-	-	120,473 (USD3,920)	63,134	100.00%	169,032	63,134 (note 2)	426,603	-
-	-	46,100 (USD1,500)	13,392	50.00%	46,100	6,696 (note 2)	75,770	-
-	-	30,733 (USD1,000)	56,049	55.00%	676,126	30,827 (note 2)	790,189	-
-	-	204,313 (USD6,648)	578,533	100.00%	3,230,807	578,533 (note 2)	4,348,577	-
-	-	-	79,204	50.00%	688,419	39,602 (note 3)	219,835	-

Note2 : The investment income (loss) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note3 : The investment income (loss) were recognized under the equity method and based on the financial statements audited by international accounting firms.

Note4 : Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.733).

Note5 : The transactions within the Group were eliminated in the consolidated financial statements.

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Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

(ii) Limitation on investment in Mainland China: Unit: thousand NTD / thousand USD

Company name	Accumulated investment amount in Mainland China as of December 31, 2018	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	519,388 (USD16,900)	5,757,367 (USD187,335) (Note 2)	- (Note 1)

Note1 : In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the "Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China" amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau, Ministry of Economic Affairs, on August 23, 2018. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from August 20, 2018 to August 19, 2021.

Note2 : This amount includes capital increase out of earnings, approved by the Investment Commission, MOEA.

Note3 : Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.733).

(iii) Significant transactions:

Related information is provided in note 13(a)x.

<14> Segment Information

(a) General information

There are three service departments which should be reported: synthetic rubber services department, non-synthetic rubber services department, and others. The synthetic rubber services department produces and sells synthetic rubber products. The non-synthetic rubber services department produces and sells reengineering plastic and plastic elasticity engineering products. The others department provides storage service.

A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed.

(b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity. Because taxation and extraordinary activity are managed on a group basis, they are not able to be allocated to each reportable segment. In addition, not all profit or loss from reportable segments includes significant non-cash items such as depreciation and amortization. The reportable amount is consistent with that in the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies".

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

Information on reportable segments and reconciliation for the Group is as follows:

	2018				
	Synthetic rubber services department	Non-synthetic rubber services department	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 28,059,773	1,691,445	-	-	29,751,218
Interest revenue	63,495	4,093	10,587	-	78,175
Total revenue	$ 28,123,268	1,695,538	10,587	-	29,829,393
Interest expenses	$ 161,061	9,216	-	(843)	169,434
Depreciation and amortization	$ 948,506	52,729	30,444	(4,464)	1,027,215
Share of profit of equity-accounted investees (associates and jointly controlled entities)	$ 1,305,978	-	59,312	(1,067,570)	297,720
Reportable segment profit or loss	$ 1,226,488	332,391	25,183	46,381	1,630,443
Reportable segment assets and liabilities (note)	$ -	-	-	-	-

	2017				
	Synthetic rubber	Non-synthetic rubber	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 30,913,807	831,794	20,636	-	31,766,237
Interest revenue	42,302	2,729	6,091	-	51,122
Total revenue	$ 30,956,109	834,523	26,727	-	31,817,359
Interest expenses	$ 186,803	2,454	(1,108)	-	188,149
Depreciation and amortization	$ 951,413	40,478	34,066	(8,183)	1,017,774
Share of profit of equity-accounted investees (associates and jointly controlled entities)	$ 727,642	-	31,085	(918,693)	(159,966)
Reportable segment profit or loss	$ 938,391	7,590	166,096	25,058	1,137,135
Reportable segment assets and liabilities (note)	$ -	-	-	-	-

Note: As the information on segment assets and liabilities was not provided to the chief operating decision maker, the information on segment assets and liabilities is not disclosed.

(c) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Geographical information	2018	2017
Revenue from external customers:		
China	$ 12,567,753	14,660,428
United States	3,887,293	3,737,572
Taiwan	2,975,814	3,624,916
Thailand	1,868,240	2,071,247
Japan	596,790	694,139
Other countries	7,855,328	6,977,935
Total	$ 29,751,218	31,766,237

Geographical information	December 31, 2018	December 31, 2017
Non-current assets:		
China	$ 6,216,425	5,874,971
Taiwan	4,494,372	4,719,125
United States	2,295,249	2,408,113
Other countries	818,840	670,886
Total	$ 13,824,886	13,673,095

Non-current assets include investment accounted for under the equity method, property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from insurance contract (non-current).

(d) Information about major customers

For the years 2018 and 2017, the Group had no major customer who constituted 10% or more of net sales.

Individual financial statements and independent auditors' report for the most recent fiscal year

Independent Auditors' Report

To the Board of Directors of TSRC Corporation:

Opinion

We have audited the financial statements of TSRC Corporation, which comprise the statements of financial position as of December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years ended December 31, 2018 and 2017, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TSRC Corporation as of December 31, 2018 and 2017, and its financial performance and its cash flows for the years ended December 31, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit in accordance with the "Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants" and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the TSRC Corporation in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year end December 31, 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. **Revenue recognition**

   Please refer to note 4(q), note 6(t) and 6(u) for disclosures related to revenue recognition.

   Description of key audit matter:

   Revenue is the key indicator used by investors and management while evaluating the TSRC Corporation's finance or operating performance. TSRC Corporation initially adopted IFRS 15 and the accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue measurement and recognition rely on subjective judgments of the management. Therefore, we consider it as the key audit matter.

   How the matter was addressed in our audit:

   Testing the effectiveness of design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing the revenue recognition of significant sales contracts to determine whether the accounting treatment key judgment, estimation, and accounting treatment are reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

2. **Inventory measurement**

   Please refer to note 4(g), note 5, and note 6(g) for disclosures related to inventory measurement.

   Description of key audit matter:

   The inventory of TSRC Corporation includes various types of synthetic rubber and its raw material. Since there is an oversupply and a low market demand in the rubber manufacturing industry, which may result in a decline on the price of raw material, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider it as the key audit matter.

   How the matter was addressed in our audit:

The key audit procedures performed is to understand management's accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the bases used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the TSRC Corporation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the TSRC Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the TSRC Corporation's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TSRC Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the TSRC Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the TSRC Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the TSRC Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Ann-Tien Yu.

KPMG

Taipei, Taiwan (Republic of China)

March 14, 2019

TSRC CORPORATION

Balance Sheets

December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2018		December 31, 2017	
Assets	**Amount**	**%**	**Amount**	**%**
Current assets:				
Cash and cash equivalents (note 6(a))	$ 338,449	1	231,989	1
Notes receivable, net (note 6(e))	2,041	-	348	-
Accounts receivable, net (note 6(e))	1,062,295	4	1,030,480	5
Account receivable - related parties (notes 6(e) and 7)	58,782	-	39,864	-
Other receivable (notes 6(f) and 7)	134,365	1	140,819	1
Current income tax assets	74	-	114	-
Inventories (note 6(g))	2,469,128	10	2,171,015	10
Other current assets	134,929	1	94,933	-
Total current assets	4,200,063	17	3,709,562	17
Non-current assets:				
Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,095,695	5	-	-
Available-for-sale financial assets - non-current (note 6(d))	-	-	936,362	4
Investments accounted for under equity method (notes 6(h) and 7)	14,442,549	59	13,457,697	60
Property, plant and equipment (notes 6(i), 6(j) and 9)	2,789,755	12	2,760,238	12
Investment property (note 6(j))	1,596,324	7	1,611,050	7
Intangible assets (note 6(k))	65,778	-	86,312	-
Deferred income tax assets (note 6(p))	71,154	-	85,326	-
Other non-current assets	42,515	-	13,966	-
Total non-current assets	20,103,770	83	18,950,951	83
Total assets	$ 24,303,833	100	22,660,513	100

	December 31, 2018		December 31, 2017	
Liabilities and Equity	Amount	%	Amount	%
Current liabilities:				
Short-term borrowings (note 6(l))	$ 2,354,568	10	3,809,306	17
Current portion of long-term borrowings (note 6(l))	850,000	3	800,000	3
Short-term commercial paper payable (note 6(l))	-	-	349,975	2
Financial liabilities at fair value through profit or loss－current (note 6(b))	-	-	226	-
Accounts payable (note 7)	914,222	4	719,356	3
Other payable (notes 6(m), 6(o), 6(s) and 7)	614,005	3	584,292	3
Current income tax liabilities	-	-	5,797	-
Other current liabilities (notes 6(l) and 6(n))	57,572	-	35,438	-
Total current liabilities	4,790,367	20	6,304,390	28
Non-current liabilities:				
Long-term borrowings (note 6(l))	2,950,000	12	800,000	4
Other long-term borrowings (note 6(l))	499,693	2	-	-
Provision liabilities - non-current (note 7)	29,189	-	26,999	-
Deferred income tax liabilities (notes 6(p))	538,403	2	425,853	2
Other non-current liabilities (notes 6(l) and 6(o))	185,178	1	225,755	1
Total non-current liabilities	4,202,463	17	1,478,607	7
Total liabilities	8,992,830	37	7,782,997	35
Equity attributable to shareholders of the Company (notes 6(h), 6(q) and 6(x):				
Common stock	8,257,099	34	8,257,099	36
Capital surplus	45,158	-	41,043	-
Retained earnings:				
Legal reserve	3,857,922	16	3,770,512	17
Unappropriated earnings	1,951,564	8	1,661,324	7
	5,809,486	24	5,431,836	24
Other equity:				
Financial statement translation differences for foreign operations	465,589	2	512,008	-
Unrealized gain on financial assets measured at fair value through other comprehensive income	801,805	3	-	-
Unrealized gain on valuation of available-for-sale financial assets	-	-	623,809	2
Gain (loss) on effective portion of cash flow hedges	(68,134)	-	11,721	3
	1,199,260	5	1,147,538	5
Total equity	15,311,003	63	14,877,516	65
Total liabilities and equity	$ 24,303,833	100	22,660,513	100

See accompanying notes to parent company only financial statements

Chairman:Nita Ing　　Manager:Joseph Chai　　Chief Accountant:Ming-Huang Chen

TSRC CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2018		2017	
	Amount	%	Amount	%
Revenue (notes 6(t), 6(u) and 7)	$ 10,834,520	100	11,254,655	100
Operating costs (notes 6(g), 6(i), 6(m), 6(n), 6(o), 6(s) and 7)	9,718,836	90	10,359,649	92
Gross profit from operations	1,115,684	10	895,006	8
Less:Unrealized gain (loss) on affiliated transactions	7,794	-	(1,992)	-
Gross profit	1,107,890	10	896,998	8
Operating expenses (notes 6(e), 6(i), 6(k), 6(n), 6(s) and 7):				
Selling expenses	353,113	3	355,972	3
General and administrative expenses	490,195	5	454,706	4
Research and development expenses	250,918	2	239,232	2
Expected credit losses for bad debt expense	1,624	-	-	-
Total operating expenses	1,095,850	10	1,049,910	9
Other income and expenses, net (notes 6(j), 6(n), 6(v) and 7)	238,926	2	259,119	2
Operating profit	250,966	2	106,207	1
Non-operating income and expenses (notes 6(h) and 6(w)):				
Other income	73,955	1	57,380	-
Other gains and losses	11,051	-	170,939	2
Finance costs	(81,035)	(1)	(71,568)	(1)
Share of profit from the subsidiaries, the associates and joint ventures	1,073,192	10	633,589	6
Total non-operating income and expenses	1,077,163	10	790,340	7
Net income before tax	1,328,129	12	896,547	8
Less: Tax expense (note 6(p))	135,943	1	22,440	-
Net income	1,192,186	11	874,107	8
Other comprehensive income (loss):				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	(21,854)	-	2,427	-
Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	159,333	1	-	-
Share of other comprehensive income of subsidiaries, associates and joint ventures accounted for using equity method, components of other comprehensive income that will not be reclassified to profit or loss	18,663	-	-	-
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	156,142	1	2,427	-
Items that may be reclassified subsequently to profit or loss				
Financial statements translation differences for foreign operations	(46,419)	-	(478,351)	(4)
Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(80,331)	(1)
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	(79,855)	(1)	3,959	-
Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	(126,274)	(1)	(554,723)	(5)
Other comprehensive income (loss), net of tax	29,868	-	(552,296)	(5)
Total comprehensive income	$ 1,222,054	11	321,811	3
Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(r))	$	1.44		1.06

See accompanying notes to parent company only financial statements

Chairman:Nita Ing　　Manager:Joseph Chai　　Chief Accountant:Ming-Huang Chen

TSRC CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars)

	Common stock	Capital surplus	Retained earnings: Legal reserve	Retained earnings: Unappropriated retained earnings	Total
Balance at January 1, 2017	$ 8,257,099	849	3,671,676	1,709,336	5,381,012
Appropriation and distribution:					
Legal reserve	-	-	98,836	(98,836)	-
Cash dividends	-	-	-	(825,710)	(825,710)
Other changes in capital surplus	-	40,194	-	-	-
Net income	-	-	-	874,107	874,107
Other comprehensive income (loss)	-	-	-	2,427	2,427
Total comprehensive income (loss)	-	-	-	876,534	876,534
Balance at December 31, 2017	8,257,099	41,043	3,770,512	1,661,324	5,431,836
Effects of retrospective application	-	-	-	29,848	29,848
Equity at beginning of period after adjustments	8,257,099	41,043	3,770,512	1,691,172	5,461,684
Appropriation and distribution:					
Legal reserve	-	-	87,410	(87,410)	-
Cash dividends	-	-	-	(792,682)	(792,682)
Other changes in capital surplus	-	4,115	-	-	-
Net income	-	-	-	1,192,186	1,192,186
Other comprehensive income (loss)	-	-	-	(21,854)	(21,854)
Total comprehensive income (loss)	-	-	-	1,170,332	1,170,332
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	(29,848)	(29,848)
Balance at December 31, 2018	$ 8,257,099	45,158	3,857,922	1,951,564	5,809,486

Total other equity interest					
Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total	Total equity
990,359	-	735,464	(23,562)	1,702,261	15,341,221
-	-	-	-	-	-
-	-	-	-	-	(825,710)
-	-	-	-	-	40,194
-	-	-	-	-	874,107
(478,351)	-	(111,655)	35,283	(554,723)	(552,296)
(478,351)	-	(111,655)	35,283	(554,723)	321,811
512,008	-	623,809	11,721	1,147,538	14,877,516
-	593,961	(623,809)	-	(29,848)	-
512,008	593,961	-	11,721	1,117,690	14,877,516
-	-	-	-	-	-
-	-	-	-	-	(792,682)
-	-	-	-	-	4,115
-	-	-	-	-	1,192,186
(46,419)	177,996	-	(79,855)	51,722	29,868
(46,419)	177,996	-	(79,855)	51,722	1,222,054
-	29,848	-	-	29,848	-
465,589	801,805	-	(68,134)	1,199,260	15,311,003

See accompanying notes to parent company only financial statements

Chairman:Nita Ing Manager:Joseph Chai Chief Accountant:Ming-Huang Chen

TSRC CORPORATION

Statements of Cash Flows

For the years ended December 31, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

		2018	2017
Cash flows from operating activities:			
Consolidated net income before tax	$	1,328,129	896,547
Adjustments:			
Adjustments to reconcile profit and loss:			
Depreciation		274,913	272,809
Amortization		27,123	21,973
Expected credit losses for bad debt expense		1,624	-
Interest expense		81,035	71,568
Interest income		(7,485)	(5,601)
Dividend income		(66,470)	(51,779)
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		(1,073,192)	(633,589)
Loss on disposal of property, plan and equipment		1,088	373
Gains on disposal of investments		-	(154,458)
Unrealized profit (loss) from sales		7,794	(1,992)
Unearned revenue from technology provided to investee		8,014	(6,140)
Total adjustments to reconcile profit and loss		(745,556)	(486,836)
Changes in operating assets and liabilities:			
Net changes in operating assets:			
Notes receivable		(1,693)	957
Accounts receivable		(33,439)	284,481
Accounts receivable due from related parties		(18,918)	16,341
Other receivable		3,008	185
Inventories		(298,113)	(150,050)
Other current assets		(39,996)	(10,381)
Total changes in operating assets, net		(389,151)	141,533
Net changes in operating liabilities:			
Financial liabilities at fair value through profit or loss		(226)	226
Accounts payable		194,866	(401,929)
Other payable		50,923	29,085
Other current liabilities		22,134	(7,741)
Net defined benefit liability		(56,752)	2,761
Other operating liabilities		905	(84)
Total changes in operating liabilities, net		211,850	(377,682)
Total changes in operating assets and liabilities, net		(177,301)	(236,149)
Total adjustments		(922,857)	(722,985)

Unit: thousand NTD

	2018	2017
Cash provided by operating activities	$ 405,272	173,562
Interest income received	10,931	6,259
Interest paid	(75,195)	(71,181)
Income taxes paid	(14,978)	54,145
Net cash provided by operating activities	326,030	162,785
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	-	254,448
Acquisition of investments accounted for under equity method	(278,280)	-
Acquisition of property, plant and equipment	(320,621)	(346,599)
Increase in other non-current assets	(28,548)	(5,020)
Dividends received	66,470	51,779
Proceeds from capital repayments of investments accounted for under equity method	245,391	-
Net cash used in investing activities	(315,588)	(45,392)
Cash flows from financing activities:		
Increase in short-term borrowings	27,822,749	23,587,030
Decrease in short-term borrowings	(29,277,487)	(22,843,428)
Increase in short-term commercial paper payable	1,119,523	3,742,751
Decrease in short-term commercial paper payable	(1,470,000)	(3,392,776)
Proceeds from long-term borrowings	3,000,000	-
Repayments of long-term borrowings	(800,000)	(400,000)
Increase in other long-term borrowings	494,940	-
Decrease in finance lease liabilities	(6,584)	(6,509)
Cash dividends paid	(791,238)	(824,425)
Overaging unclaimed dividends	4,115	40,194
Net cash provided by (uded in) financing activities	96,018	(97,163)
Net increase in cash and cash equivalents	106,460	20,230
Cash and cash equivalents at beginning of period	231,989	211,759
Cash and cash equivalents at end of period	$ 338,449	231,989

See accompanying notes to parent company only financial statements

Chairman:Nita Ing　　Manager:Joseph Chai　　Chief Accountant:Ming-Huang Chen

Notes to the Financial Statements

For the years ended December 31, 2018 and 2017
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

<1> Organization and Business Scope

TSRC Corporation (the original name was Taiwan Synthetic Rubber Corporation, hereinafter referred to as "the Company") was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting. In June 2016, the Company changed its registered address to be No.2, Singgong Rd., Dashe Dist., Kaohsiung City. The Company is mainly engaged in the manufacture, import, and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials. Please refer to note 14.

<2> Financial Statements Authorization Date and Authorization Process

The parent company onlyfinancial statements were approved by the Board of Directors and published on March 14, 2019.

<3> New Standards, Interpretations and Amendments:

(a) The impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") which have already been adopted.

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018. The differences between the current version and the previous version are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows-Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes -Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 2014–2016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its parent company onlyfinancial statements. The extent and impact of signification changes are as follows:

(i) IFRS 15 "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether how much and when revenue is recognized. It replaces the existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts". The Company applies this standard retrospectively with the cumulative effect. It needs not restate those contracts, but instead, continues to apply IAS 11, IAS 18 and the related Interpretations for comparative reporting period. The Company recognizes the cumulative effect upon its initial application of this Standard as an adjustment to the opening balance of its retained earnings on January 1, 2018.

The Company uses the practical expedients for completed contracts, which means it need not restate those contracts that have been completed on January 1, 2018.

The following are the nature and impacts on changing of accounting policies:

1) Sales of goods

For the sale of products, revenue is currently recognized when the related risks of the goods and rewards of ownership have been transferred to the customer. Revenue is recognized at this point provided that the revenue and costs can be measured reliably, the recovery of the consideration is probable, and there is no continuing management involvement with the goods. Under IFRS 15, revenue will be recognized when a customer obtains control of the goods.

2) Impacts on financial statements

The Company estimates the adoption of IFRS 15 will not have any significant impact on its parent Company onlyfinancial statements.

(ii) IFRS 9 "Financial Instruments"

IFRS 9 replaces IAS 39 "Financial Instruments: Recognition and Measurement", which contains classification and measurement of financial instruments, impairment and hedge accounting.

As a result of the adoption of IFRS 9, the Company adopted the consequential amendments to IAS 1 "Presentation of Financial Statements", which requires impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI. Previously, the Company's approach was to include the impairment of trade receivables in administrative expenses. Additionally, the Company adopted the consequential amendments to IFRS 7 "Financial Instruments: Disclosures" that are applied to disclosures about 2018 but generally have not been applied to comparative information.

The detail of new significant accounting policies and the nature and effect of the changes to previous accounting policies are set out below:

1) Classification of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. The standard eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available-for-sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification. For an explanation of how the Company classifies and measures financial assets and accounts for related gains and losses under IFRS 9, please see note 4(f).

The adoption of IFRS 9 did not have any significant impact on the Company accounting policies on financial liabilities.

2) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with the 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than they are under IAS 39; please see note 4(f).

3) Transition

The adoption of IFRS 9 have been applied retrospectively, except as described below:

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as of January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, and therefore, is not comparable to the information presented for 2018 under IFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

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4) Classification of financial assets on the date of initial application of IFRS 9

The following table shows the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as of January 1, 2018:

	IAS39		IFRS9	
	Measurement categories	Carrying Amount	Measurement categories	Carrying Amount
Financial Assets				
Equity instruments	Available-for-sale (note 1)	936,362	FVOCI	936,362
Trade and other receivables	Loans and receivables (note 2)	1,030,828	Amortized cost	1,030,828

Note1: The Group held equity instrument investment for long-term strategic purposes, as permitted by IFRS 9, at the date of initial application as measured at FVOCI. Therefore, an increase of $29,848 thousand in those assets recognized, and a decrease of $29,848 thousand in other equity interest, as well as the increase of $29,848 thousand in retained earnings were recognized on January 1, 2018.

Note2: Notes receivable, accounts receivable, and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 upon transition to IFRS 9 on January 1, 2018.

	2017.12.31 IAS 39 Carrying Amount	Reclassifications	Remeasurements	2018.1.1 IFRS 9 Carrying Amount	2018.1.1 Retained earnings effect	2018.1.1 Other equity effect
Fair value through other comprehensive income						
Beginning balance of available-for-sale (IAS 39)	$ 936,362	(936,362)	-		-	-
Available-for-sale to FVOCI	-	936,362	-		29,848	(29,848)
Total	$ 936,362	-	-	936,362	29,848	(29,848)
Amortized cost						
Beginning balance of trade and other receivables	$ 1,030,828	-	-	1,030,828	-	-

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.

To satisfy the new disclosure requirements, the Company present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities as note 6(ac).

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 16 "Leases"	January 1, 2019
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 2015–2017 Cycle	January 1, 2019

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Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities

Except for the following items, the Company believes that the adoption of the above IFRSs would not have any material impact on its financial statements. The extent and impact of signification changes are as follows:

(i) IFRS 16 "Leases"

IFRS 16 replaces the existing leases guidance, including IAS 17 "Leases", IFRIC 4 "Determining whether an Arrangement contains a Lease", SIC-15 "Operating Leases – Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease".

IFRS 16 introduces a single and an on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. In addition, the nature of expenses related to those leases will now be changed since IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities. There are recognition exemptions for short-term leases and leases of low-value items. The lessor accounting remains similar to the current standard – i.e. the lessors will continue to classify the leases as finance or operating leases.

So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, factory facilities and warehouses. No significant impact is expected for the Company's finance leases. Besides, The Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant.

1) Determining whether an arrangement contains a lease

The Company has an arrangement that was not in the legal form of a lease, for which it concluded that the arrangement contains a lease of equipment under IFRIC 4. On transition to IFRS 16, the Company can choose to apply either of the following:

- IFRS 16 definition of a lease to all its contracts; or
- a practical expedient that does not need any reassessment whether a contract is, or contains, a lease.

The Company plans to apply the practical expedient to grandfather the definition of a lease upon transition. This means that it will apply IFRS 16 to all contracts entered into before January 1, 2019 and identified them as leases in accordance with IAS 17 and IFRIC 4.

2) Transition

As a lessee, the Company can apply the standard using either of the following:

- retrospective approach; or
- modified retrospective approach with optional practical expedients.

The lessee applies the election consistently to all of its leases.

On January 1, 2019, the Company plans to initially apply IFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting IFRS 16 will be recognized as an adjustment to the opening balance of retained earnings at January 1, 2019, with no restatement of comparative information.

When applying the modified retrospective approach to leases previously classified as operating leases under IAS 17, the lessee can elect, on a lease-by-lease basis, whether to apply a number of practical expedients on transition. The Company chooses to elect the following practical expedients:

- apply a single discount rate to a portfolio of leases with similar characteristics.
- adjust the right-of-use assets, based on the amount reflected in IAS 37 onerous contract provision, immediately before the date of initial application, as an alternative to an impairment review.
- apply the exemption not to recognize the right-of-use assets and liabilities to leases with lease term that ends within 12 months of the date of initial application.
- exclude the initial direct costs from measuring the right-of-use assets at the date of initial application.
- use hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

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3) So far, the most significant impact identified is that the Company will have to recognize the new assets and liabilities for the operating leases of its offices, warehouses, and factory facilities. The Company estimated that its right-of-use assets and lease liabilities to increase by $134,208 thousand and $134,208 thousand, respectively, on January 1, 2019. No significant impact is expected for the Company's finance leases. Besides, the Company does not expect the adoption of IFRS 16 to have any impact on its ability to comply with the revised maximum leverage threshold loan covenant. Also, the Company is not required to make any adjustments for leases where the Company is the intermediate lessor in a sub-lease.

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations.

If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits, as well as tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

So far, the most significant impact identified is that the Company will have to recognize the new income tax liabilities and income tax expense for its uncertainty over income tax treatments.

The actual impacts of adopting the standards may change depending on the economic conditions and events which may occur in the future.

(c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

The Company assessed that the above IFRSs may not be relevant to the Company.

<4> Significant Accounting Policies

The significant accounting policies presented in the parent company onlyfinancial statements are summarized as follows. Except for those described otherwise, the accounting policies have been applied consistently to all periods presented in these parent company onlyfinancial statements, and have been applied consistently to the balance sheet as of reporting date.

(a) Statement of compliance

The financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations).

(b) Basis of preparation

(i) Basis of measurement

The financial statements have been prepared on a historical cost basis except for those otherwise explained in the accounting policies in the notes.

(ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment. The Company's financial statements are presented in New Taiwan dollars, which is the Company's functional currency. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

Transactions in foreign currencies are translated to the functional currencies of the Company at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of translation.

Foreign currency differences arising from remeasurement are recognized in profit or loss, except for the difference resulting from available-for-sale equity investment which is recognized in other comprehensive income arising from the remeasurement.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(d) Classification of current and non-current assets and liabilities

(i) An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.

1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
2) It holds the asset primarily for the purpose of trading;
3) It expects to realize the asset within twelve months after the reporting period; or
4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

(ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.

1) It expects to settle the liability in its normal operating cycle;
2) It holds the liability primarily for the purpose of trading;
3) The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or
4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(e) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, time deposits, and short-term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

The time deposits with maturity of one year or less from the acquisition date are listed in cash and cash equivalents because they are held for the purpose of meeting short-term cash commitments instead of investment or other purposes, are readily convertible to a fixed amount of cash, and are subject to an insignificant risk of changes in value.

(f) Financial instruments

(i) Financial assets (applicable commencing January 1, 2018)

Financial assets are classified into the following categories: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

The Company shall reclassify all affected financial assets only when it changes its business model in managing its financial assets.

1) Financial assets measured at amortized cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset measured at amortized cost is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at amortized cost using the effective interest method. The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses, and impairment loss, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an instrument-by-instrument basis.

A financial asset measured at FVOCI is initially recognized at fair value, plus any directly attributable transaction costs. These assets are subsequently measured at fair value. Interest income calculated using the effective interest method, foreign exchange gains and losses, and impairment losses, deriving from debt investments are recognized in profit or loss; whereas dividends deriving from equity investments are recognized as income in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses of financial assets measured at FVOCI are recognized in OCI. On derecognition, gains and losses accumulated in OCI of equity investments are reclassified to profit or loss. However, gains and losses accumulated in OCI of debt investments are reclassified to retain earnings instead of profit or loss.

Dividend income derived from equity investments is recognized on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the exdividend date.

3) Fair value through profit or loss (FVTPL)

All financial assets not classified as amortized cost or FVOCI described as above are measured at FVTPL, including derivative financial assets and accounts receivable (except for those presented as accounts receivable but measured at FVTPL). On initial recognition, the Company may irrevocably designate a financial asset, which meets the requirements to be measured at amortized cost or at FVOCI, as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets in this category are measured at fair value at initial recognition. Attributable transaction costs are recognized in profit or loss as incurred. Subsequent changes that are measured at fair value, which take into account any dividend and interest income, are recognized in profit or loss.

4) Impairment of financial assets

The Company recognizes its loss allowances for expected credit losses on financial assets measured at amortized cost (including cash and cash equivalents, notes and accounts receivable, other receivable and guarantee deposit paid).

The Company measures its loss allowances at an amount equal to lifetime expected credit loss (ECL), except for the following which are measured as 12-month ECL:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowance for trade receivables are always measured at an amount equal to lifetime ECL.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 month after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment as well as forward-looking information.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e the difference between the cash flows due to the Company in accordance with the contract and the cash flows that the Company expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the Company assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loss allowances for financial assets measured at amortized cost are deducted from the gross carrying amount of the assets. For debt securities at FVOCI, the loss allowance is recognized in other comprehensive income instead of reducing the carrying amount of the asset. The Company recognizes the amount of expected credit losses (or reversal) in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Company's procedures for recovery of amounts due.

5) Derecognition of financial assets

Financial assets are derecognized when the contractual rights to the cash flows from the assets expire, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(ii) Financial assets (applicable from January 1, 2018)

The Company classifies financial assets into the following categories: receivables and available-for-sale financial assets.

1) Receivables

Receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method. The fair value is the amount of expected future cash flows discounted to present value. Cash flows from short-term accounts receivable with high collectibility shall not be discounted.

The Company considers evidence of impairment for receivables at both a specific asset and collective level. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

If objective evidence of impairment exists, an impairment loss should be recognized. An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Collateral and proceeds from insurance should also be considered when determining the estimated future cash flows. Losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. However, the reversing amount cannot exceed the amortized balance of the assets assuming no impairment was recognized in prior periods.

2) Available-for-sale financial assets

Available-for-sale financial assets are recognized initially at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at fair value, and changes therein, other than impairment losses, dividend income, and foreign currency gains or losses which are recognized as current earnings, are recognized in other comprehensive income and presented in the unrealized gain/loss from available-for-sale financial assets in equity. When an investment is derecognized, the gain or loss accumulated in equity is reclassified to profit or loss, and is included in other gains and losses under non-operating income and expenses. The purchase and disposal of financial assets are recognized using trade date accounting.

Dividend income is recognized in profit or loss on the date that the Company's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date. Dividend income is recorded under non-operating income and expenses.

If there is any objective evidence of impairment, the accumulated gain or loss recognized as other comprehensive income is reclassified to current earnings. If, in a subsequent period, the amount of the impairment loss of a financial asset decreases, impairment losses recognized on an available-for-sale equity security cannot be reversed through profit or loss. Any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognized in other comprehensive income, and accumulated in other equity.

3) Derecognition of financial assets

The Company derecognizes financial assets when the contractual rights of the cash inflow from the asset are terminated, or when the Company transfers substantially all the risks and rewards of ownership of the financial assets.

(iii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Company are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

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Interest, gains or losses related to financial liabilities are recognized in profit or loss, and recorded under non-operating income and expenses.

2) Other financial liabilities

Financial liabilities not classified as held-for-trading or designated as at fair value through profit or loss, which comprise loans and borrowings, and trade and other payables, are measured at fair value plus any directly attributable transaction cost at the time of initial recognition. Subsequent to initial recognition, they are measured at amortized cost calculated using the effective interest method. Interest expense not capitalized as capital cost is recognized in profit or loss, and is recorded under non-operating income and expenses.

3) Derecognition of financial liabilities

The Company derecognizes a financial liability when its contractual obligation has been discharged or cancelled or has expired.

4) Offsetting of financial assets and liabilities

The Company presents financial assets and liabilities on a net basis when the Company has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

5) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Company is recognized initially at fair value plus any directly attributable transaction cost. After initial recognition, it is measured at the higher of (a) the contractual obligation amount determined in accordance with IAS 37; or (b) the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with accounting policies.

(iv) Derivative financial instruments and hedge accountin

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair value generally refers to the quoted market price in active markets. In case there's no quoted market price, the fair value is supposed to be estimated by evaluation method. Most derivative financial instruments of the Company use the quoted market price provided by financial institutions as a reference.

(g) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

(h) Investment in associates

Associates are those entities in which the Company has significant influence, but not control or joint control, over the financial and operating policies.

The equity of associates are incorporated in the financial statements using the equity method. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The financial statements include the Company's share of the profit or loss and other comprehensive income of equity accounted investees after adjustments to align the accounting policies with those of the Company, from the date that significant influence commences until the date that significant influence ceases. When changes in an associate's equity are not recognized in profit or loss or other comprehensive income of the associate and such changes do not affect the Company's ownership percentage of the associate, the Company recognizes the changes in ownership interests of the associate in capital surplus in proportion to its ownership interests.

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

When the Company's share of losses exceeds its interest in associates, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

(i) Investment in subsidiaries

When preparing the Company's financial statements, investments in subsidiaries which are controlled by the Company using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the financial statements are equivalent to those attributable to the shareholders of the parent company in the consolidated financial statements.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

If the investment in shares is not made by cash but in exchange with providing service or other assets, the cost of the investment is determined by either the fair value of shares purchased, the fair value of the service provided, or the fair value of the assets exchanged, which ever can be determined more objectively. If the investment in subsidiary is in exchange with service to be provided in the future, the account "investment in equity method" should be credited and reversed to recognized investment income based on the timing of the service provided under a reasonable accounting system.

(j) Joint arrangement

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venture recognizes its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28.

The Company determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the separate legal vehicle, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. Previously the Company determines the type of joint arrangement by considering only the structure and form of the arrangement. The Company has re-determined the joint arrangement which it is involved and has reclassified the "jointly controlled entity" to "joint venture." After the reclassification, the Company continues to adopt the accounting treatment by the equity method. Therefore, there is no impact on the recognized assets, liabilities, and comprehensive income of the subsidiary.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributed to the acquisition of the asset. The cost of a self-constructed asset comprises material, labor, any cost directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, and any borrowing cost that is eligible for capitalization. Cost also includes transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. The cost of the software is capitalized as part of the property, plant and equipment if the purchase of the software is necessary for the property, plant and equipment to be capable of operating.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item shall be depreciated separately, unless the useful life and the depreciation method of a significant part of an item of property, plant and equipment are the same as the useful life and depreciation method of another significant part of that same item.

The gain or loss arising from the derecognition of an item of property, plant and equipment shall be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, and it shall be recognized as other gains and losses.

(ii) Reclassification to investment properties

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company. The carrying amount of those parts that are replaced is derecognized. Ongoing repairs and maintenance are expensed as incurred.

(iv) Depreciation

The depreciable amount of an asset is determined after deducting its residual amount from its original cost and is depreciated using the straight-line method over its useful life. Assets are evaluated based on their individually significant components, and if the useful life of a component varies from that of others, then this component should be separately depreciated. The depreciation charge for each period shall be recognized in profit or loss.

The depreciable amount of a leased asset is allocated to each accounting period during the period of expected use on a systematic basis consistent with the depreciation policy the lessee adopts for depreciable assets that are owned. If there is reasonably certainty that the lessee will obtain ownership by the end of the lease term, the period of expected use is the useful life of the asset; otherwise, the asset is depreciated over the shorter of the lease term and its useful life.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

(1) Land improvements	8~30 years
(2) Buildings	3~60 years
(3) Machinery	3~40 years
(4) Furniture and fixtures equipment	3~8 years
(5) Leased assets	3~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, or to use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently measured under the cost model, and depreciation expense is calculated using the depreciable amount. The depreciation method, useful life, and residual amount are the same as those adopted for property, plant and equipment. Cost includes expenditure that is directly attributable to the acquisition of the investment property and any other cost and capitalized borrowing costs that can be directly attributed.

When the use of an investment property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its cost for subsequent accounting.

(m) Leases

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Leases in which the Company assumes substantially all of the risks and rewards of ownership are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent minimum lease payments are attributable to finance cost and the reduction of the outstanding liabilities, and the finance cost is allocated to each period during the lease term using a constant periodic rate of interest on the remaining balance of the liability. The acquisition of property, plant and equipment under a finance lease is accounted for in accordance with the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the Company's statement of financial position. Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(n) Intangible assets

Intangible assets comprise computer software and industrial technology and are measured at cost less accumulated amortization and accumulated impairment losses.

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

The depreciable amount is the cost of an asset, or other amount substituted for cost, less its residual value.

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

(i)Computer software	3 years
(ii)Industrial technology	10 years

The residual value, amortization period, and amortization method for an intangible asset with a finite useful life shall be reviewed at least annually at each reporting date. Any change shall be accounted for as changes in accounting estimates.

(o) Impairment - non-financial assets

With regard to non-financial assets (other than inventories and deferred tax assets), the Company assesses at the end of each reporting period whether there is any indication that an impairment loss has occurred, and estimates the recoverable amount for assets with an indication of impairment. If it is not possible to determine the recoverable amount for the individual asset, then the Company will have to determine the recoverable amount for the asset's cash-generating unit.

The recoverable amount for an individual asset or a cash-generating unit is the higher of its fair value less costs to sell or its value in use. If, and only if, the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset shall be reduced to its recoverable amount. That reduction is an impairment loss. An impairment loss shall be recognized immediately in profit or loss.

The Company assesses at the end of each reporting period whether there is any indication that an impairment loss recognized in prior periods for an asset other than goodwill may no longer exist or may have decreased. If any such indication exists, the entity shall estimate the recoverable amount of that asset. Impairment loss is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount, increasing the individual asset's or cash-generating unit's carrying amount to its estimated recoverable amount. The reversal of an impairment loss of an individual asset or cash-generating unit cannot exceed the carrying amount of the individual asset or cash-generating unit, less any depreciation or amortization, had it not recognized the impairment loss.

(p) Provisions

A provision is recognized if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

(q) Revenue

(i) Revenue from contracts with customers (applicable commencing January 1, 2018)

Revenue is measured based on the consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer. The Company recognizes revenue when it satisfies a performance obligation by transferring control of a good or a service to a customer. The accounting policies for the Company's main types of revenue are explained below.

1) Sale of goods

The Company is mainly engaged in the manufacture and sale of various types of synthetic rubber. The Company recognizes revenue when control of the products has been transferred. When the products are delivered to the customer, the ownership of the significant risks and rewards of the products have been transferred to the customer, and the Company is no longer engaged with the management of the products. Delivery occurs being when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract and the acceptance provisions have lapsed, or the Company has objective evidence that all criteria for acceptance have been satisfied.

A receivable is recognized when the goods are delivered as this is the point in time that the Group has a right to an amount of consideration that is unconditional.

2) Management services

The Company is engaged in providing management services. Revenue from providing services is recognized in the accounting period in which the services are rendered. For fixed-price contracts, revenue is recognized based on the actual service provided at the end of the reporting period as a proportion of the total services to be provided. The proportion of services provided is determined based on surveys of work performed.

3) Financing components

The Company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Company does not adjust any of the transaction prices for the time value of money.

(ii) Revenue (applicable before January 1, 2018)

1) Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts, and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognized as a reduction of revenue as the sales are recognized.

The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. For export transactions, transfer occurs upon loading the goods onto the relevant carrier at the port; however, for sales in the domestic market, transfer usually occurs when the product is received at the customer's warehouse.

2) Rendering of services

The Company is engaged in providing management services. Revenue from services rendered is recognized in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed based on surveys of work performed.

3) Rental income

The rental income arising from investment property is recognized in profit or loss on a straight-line basis during the lease term.

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The discount rate is the yield at the reporting date (market yield of high-quality corporate bonds or government bonds) on bonds that have maturity dates approximating the terms of the Company's obligations and that are denominated in the same currency in which the benefits are expected to be paid.

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognized immediately in profit or loss.

Remeasurements of the net defined benefit liability (asset), which comprise (1) actuarial gains and losses, (2) the return on plan assets (excluding interest) and (3) the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Company can reclassify the amounts recognized in other comprehensive income to retained earnings.

(iii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(s) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

(i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

(ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.
(iii) Initial recognition of goodwill.

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.
Deferred tax assets and liabilities may be offset against each other if the following criteria are met:
(i) The entity has the legal right to settle tax assets and liabilities on a net basis; and
(ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:
1. evied by the same taxing authority; or
2. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

A deferred tax asset should be recognized for unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilized. Such deferred tax assets shall also be reviewed at each reporting date, and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

(t) Earnings per share

Earnings per share (EPS) of common stock are calculated by dividing net income (or loss) for the reporting period attributable to common stockholders by the weighted-average number of common shares outstanding during that period. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

Employee bonuses in the form of stock of the Company are potential stock. If the potential stock does not have a dilutive effect, only the basic earnings per share are disclosed; otherwise, diluted earnings per share are disclosed in addition to the basic earnings per share. When computing diluted earnings per share with regard to employee bonuses in the form of stock, the closing price at the reporting date is used as the basis of computation of the number of shares to be issued. When computing diluted earnings per share prior to the following Board of Directors, the effect of dilution from these potential shares is taken into consideration.

(u) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the financial statements.

<5> Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of the parent company onlyfinancial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the parent company onlyfinancial statements.
Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:
Inventory measurement
Since inventory is measured by the lower of cost and net realizable value, the Company evaluated the inventory based on the selling price of the product line and price fluctuation of raw material, and written down the book value to net realizable value. Please refer to note 6(g) for inventory measurement.

<6> Description of Significant Accounts

(a) Cash and cash equivalents

	December 31, 2018	December 31, 2017
Checking and savings deposits	$ 338,449	231,989

The disclosure of interest rate risk and sensitivity analysis for the Company's financial assets and liabilities is referred to note 6(y).

(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2018	December 31, 2017
Financial liabilities held for trading:		
Derivative instruments not used for hedging		
Forward contracts	$ -	226

The Company uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. As of December 31, 2018 and , 2017, the Company reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting.

	December 31, 2017		
	Contract amount (thousand)	Currency	Expired date
Forward Exchange Agreement	$ 650	EUR/TWD	2018.1.18~2018.3.21
Forward Exchange Agreement	200	EUR/USD	2018.2.13

(c) Financial assets at fair value through other comprehensive income - non-current

	December 31, 2018
Equity investments at fair value through other comprehensive income:	
Listed stocks (domestic)	$ 305,631
Unlisted stocks (domestic and overseas)	790,064
Total	$ 1,095,695

(i) Equity investments at fair value through other comprehensive income
The Company held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income. These investments were classified as available-for-sale financial assets - non-current on December 31, 2017.
(ii) For dividend income, please refer to note 6(w).
(iii) For credit risk and market risk, please refer to note 6(y).
(iv) The Company did not hold any collateral for the collectible amounts.
(v) The significant financial assets at fair value through other comprehensive income denominated in foreign currency were as follows:

	Foreign currency amount	Exchange rate	TWD
December 31, 2018			
THB	$ 153,399	0.9532	146,220

(d) Available-for-sale financial assets - non-current

	December 31, 2017
Listed stocks (domestic)	$ 235,024
Unlisted stocks (domestic or overseas)	701,338
Total	$ 936,362

Please refer to note 6(w) for gains on disposal of investments and dividend income.

If the market price of the available-for-sale financial assets fluctuates (assuming that all other variables remain the same), the impact on other comprehensive income will be as follows:

	December 31, 2017	
Fluctuation in market price at reporting date	Other comprehensive income (after tax)	Net income
Increase 10%	$ 93,636	-
Decrease 10%	$ (93,636)	-

The significant available-for-sale financial assets denominated in foreign currency were as follows:

	Foreign currency amount	Exchange rate	TWD
December 31, 2017			
THB	$ 143,421	0.9176	131,640

As of December 31, 2017, the Company did not pledge any collateral on available-for-sale financial instruments. For credit risk and market risk, please refer to 6(y).

(e) Notes and accounts receivable (including related parties) and other receivable (including related parties)

	December 31, 2018	December 31, 2017
Notes receivable	$ 2,041	348
Accounts receivable	1,063,919	1,030,480
Accounts receivable - related parties	58,782	39,864
Less: allowance for impairment	1,624	-
	$ 1,123,118	1,070,692

The Company applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables on December 31, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The expected credit losses as of December 31, 2018 was determined as follows:

	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	$ 1,093,738	0.04%~0.33%	1,045
1 to 30 days past due	28,323	0.45%~16.31%	238
31 to 90 days past due	2,681	5.98%~27.3%	341
	$ 1,124,742		1,624

As of December 31, 2017, the Company applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	December 31, 2017
1 to 30 days past due	$ 6,234

The movement in the allowance for notes and accounts receivable was as follows:

	2018	2017 Individually assessed impairment	2017 Collectively assessed impairment
Balance at January 1, 2018 and 2017 per IAS 39	$ -	-	-
Adjustment on initial application of IFRS 9	-		
Balance at January 1, 2018 per IFRS 9	-		
Impairment loss recognized	1,624	-	-
Balance at December 31, 2018 and 2017	$ 1,624	-	-

The Company did not hold any collateral for the collectible amounts. For other credit risk please refers to note 6(y).

The carrying amounts of notes and accounts receivable with short maturity are not discounted under the assumption that the carrying amounts approximate their fair value.

(f) Other receivables (including related parties)

	December 31, 2018	December 31, 2017
Other receivables - related parties	$ 102,185	124,268
Other	32,180	16,551
	$ 134,365	140,819

As of December 31, 2018 and 2017, the Company had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management's assessment. For other credit risk information, please refers to note 6(y).

(g) Inventories

The components of the Company's inventories were as follows:

	December 31, 2018	December 31, 2017
Raw materials	$ 650,479	623,207
Supplies	10,317	14,797
Work in progress	136,600	140,968
Finished goods	1,667,308	1,385,523
Merchandise	4,424	6,520
Total	$ 2,469,128	2,171,015

As of December 31, 2018 and 2017, the Company did not pledge any collateral on inventories.

Except for operating costs arising from the ordinary sale of inventories, other gains and losses directly recorded under operating costs were as follows:

	2018	2017
Loss on decline in market value of inventory	$ 6,191	50,509
Income from sale of scrap	(23,357)	(29,629)
Unallocated production overhead	7,946	31,830
Total	$ (9,220)	52,710

The Company reversed the allowance for loss on inventory for the year period ended December 31, 2017, when the Company sold or used the inventories for which an allowance had been provided previously.

(h) Investments accounted for under the equity method

The details of the investments accounted for under the equity method at the reporting date were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries	$ 14,442,549	13,210,135
Joint ventures	-	247,562
	$ 14,442,549	13,457,697

(i) Subsidiaries

TSRC (Vietnam) Co., Ltd. has been established in October 2018, with the approval of the Company's Board of Directors in May 2018, at an investment amount of $278,280 thousand (USD9,000 thousand).

The disposal of subsidiary's shares (without fair value) in Pulse Metric, Inc. in 2018 was due to the unsubstantial operation of the investee, resulting in a loss of $29,848, recognized in other comprehensive income, which had been reclassified to retained earnings by the Company. Other information is provided in the Group's consolidated financial statement for the year ended December 31, 2018.

(ii) Joint ventures

Summary of respectively not significant joint ventures recognized under the equity method were as follows:

	December 31, 2018	December 31, 2017
Balance of not significant joint venture's equity	$ -	247,562

	2018	2017
Attributable to the Company:		
Income from continued operation	$ (2,171)	(283,112)
Other comprehensive income	-	-
Total comprehensive income	$ (2,171)	(283,112)

The liquidation of Taiwan Advance Material Corp. in December 2018 was approved by its Board of Directors and the Ministry of Economic Affairs in October 2017, wherein the remaining amount of $245,391 thousands had been received by the Company.

(iii) Collateral

As of December 31, 2018 and 2017, the Company did not pledge any collateral on investments accounted for under the equity method.

(i) Property, plant and equipment

The cost, depreciation, and impairment of the property, plant and equipment of the Company were as follows:

		Land	Land improvements	Buildings
Cost or deemed cost:				
Balance at January 1, 2018	$	614,101	83,556	1,199,976
Additions		-	-	-
Disposals		-	-	(1,035)
Reclassification		-	199	5,363
Balance at December 31, 2018	$	614,101	83,755	1,204,304
Balance at January 1, 2017	$	614,101	82,096	1,160,008
Additions		-	-	-
Disposals		-	-	(1,775)
Reclassification		-	1,460	41,743
Balance at December 31, 2017	$	614,101	83,556	1,199,976
Depreciation and impairment loss:				
Balance at January 1, 2018	$	-	62,942	839,760
Depreciation		-	2,370	30,245
Disposal		-	-	(1,035)
Balance at December 31, 2018	$	-	65,312	868,970
Balance at January 1, 2017	$	-	60,458	812,358
Depreciation		-	2,484	29,021
Disposal		-	-	(1,619)
Balance at December 31, 2017	$	-	62,942	839,760
Carrying value:				
December 31, 2018	$	614,101	18,443	335,334
December 31, 2017	$	614,101	20,614	360,216
January 1, 2017	$	614,101	21,638	347,650

The Company did not pledge any collateral on property, plant and equipment.

(j) Investment property

		Land	Buildings	Total
Cost:				
Balance as at January 1, 2018	$	1,073,579	741,889	1,815,468
Additions		-	-	-
Balance as at December 31, 2018	$	1,073,579	741,889	1,815,468
Balance as at January 1, 2017	$	1,073,579	741,889	1,815,468
Additions		-	-	-
Balance as at December 31, 2017	$	1,073,579	741,889	1,815,468
Depreciation:				
Balance as at January 1, 2018	$	-	204,418	204,418
Depreciation		-	14,726	14,726
Balance as at December 31, 2018	$	-	219,144	219,144
Balance as at January 1, 2017	$	-	189,693	189,693
Depreciation		-	14,725	14,725
Balance as at December 31, 2017	$	-	204,418	204,418

Machinery	Furniture and fixtures	Leased assets	Prepayments for equipment and construction in progress	Total
8,612,836	87,051	94,596	324,214	11,016,330
-	-	-	297,381	297,381
(64,192)	(242)	-	-	(65,469)
362,048	5,159	-	(379,358)	(6,589)
8,910,692	91,968	94,596	242,237	11,241,653
8,568,082	59,888	94,596	217,962	10,796,733
-	-	-	389,174	389,174
(97,444)	(45)	-	-	(99,264)
142,198	27,208	-	(282,922)	(70,313)
8,612,836	87,051	94,596	324,214	11,016,330
7,297,678	55,712	-	-	8,256,092
220,824	6,748	-	-	260,187
(63,104)	(242)	-	-	(64,381)
7,455,398	62,218	-	-	8,451,898
7,173,493	50,590	-	-	8,096,899
221,412	5,167	-	-	258,084
(97,227)	(45)	-	-	(98,891)
7,297,678	55,712	-	-	8,256,092
1,455,294	29,750	94,596	242,237	2,789,755
1,315,158	31,339	94,596	324,214	2,760,238
1,394,589	9,298	94,596	217,962	2,699,834

	Land	Buildings	Total
Carrying value:			
Balance as at December 31, 2018	$ 1,073,579	522,745	1,596,324
Balance as at December 31, 2017	$ 1,073,579	537,471	1,611,050
Balance as at January 1, 2017	$ 1,073,579	552,196	1,625,775
Fair value:			
Balance as at December 31, 2018			$ 3,334,675
Balance as at December 31, 2017			$ 3,334,675
Balance as at January 1, 2017			$ 3,334,675

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial Non-cancellable period of 1~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(q) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent appraiser. The range of yields applied to the net annual rentals to determine fair value of property were as follows:

Region	2018	2017
Da'an Dist., Taipei City	2.10%	2.10%

The Company has rented out a parcel of land, but has decided not to treat this property as investment property because it is not the Company's intention to hold it for capital appreciation or rental income. Accordingly, the property is still recorded under property, plant and equipment.

As of December 31, 2018 and 2017, the Company did not pledge any collateral on investment properties.

(k) Intangible assets

The cost and amortization of the intangible assets of the Company were as follows:

	Industrial technology	Computer software	Total
Costs:			
Balance at January 1, 2018	$ 73,913	162,377	236,290
Reclassification	-	6,589	6,589
Balance at December 31, 2018	$ 73,913	168,966	242,879
Balance at January 1, 2017	$ 41,756	124,221	165,977
Reclassification	32,157	38,156	70,313
Balance at December 31, 2017	$ 73,913	162,377	236,290
Amortization:			
Balance at January 1, 2018	$ 23,263	126,715	149,978
Amortization	7,390	19,733	27,123
Balance at December 31, 2018	$ 30,653	146,448	177,101
Balance at January 1, 2017	$ 17,748	110,257	128,005
Amortization	5,515	16,458	21,973
Balance at December 31, 2017	$ 23,263	126,715	149,978
Carrying value:			
December 31, 2018	$ 43,260	22,518	65,778
December 31, 2017	$ 50,650	35,662	86,312
January 1, 2017	$ 24,008	13,964	37,972

(i) In 2018 and 2017, the amortization of intangible assets were as follows:

	2018	2017
Operating costs	$ 6,053	3,122
Operating expenses	$ 21,070	18,851

(ii) The Company did not pledge any collateral on intangible assets.

(l) Short-term and long-term borrowings

The details of the Company's short-term and long-term borrowings were as follows:

(i) Short-term borrowings

	December 31, 2018		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.55~3.44	2019	$ 2,354,568

	December 31, 2017		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.53~2.06	2018	$ 3,809,306

The abovementioned short-term borrowings were to mature within one year.

As of December 31, 2018 and 2017, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $5,614,028 thousand and $4,415,850 thousand, respectively.

(ii) Short-term commercial paper payable

The details of the Company's short-term commercial paper payable were as follows:

	December 31, 2017		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	International Bills Finance Corporation	0.87	$ 350,000
Less: discount			25
Total			$ 349,975

(iii) Long-term borrowings

	December 31, 2018			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	NTD	1.05~1.44	2019~2023	$ 3,800,000
Current				$ 850,000
Non-current				2,950,000
Total				$ 3,800,000

	December 31, 2017			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	NTD	1.44	2018~2019	$ 1,600,000
Current				$ 800,000
Non-current				800,000
Total				$ 1,600,000

The Company disclosed related risk exposure to the financial instruments in note 6(y).

(iv) Long-term commercial paper payable

The details of the Company's Long-term commercial paper payable were as follows:

	December 31, 2018			
	Guarantee or acceptance institution	Range of interest rates (%)		Amount
Commercial paper payable	CTBC Bank	1.2457	$	500,000
Less: discount				307
Total			$	499,693

(v) Collateral of loans

The Company did not provide assets as pledge assets for the loans and short-term commercial paper payable.

(vi) Finance lease liabilities

The Company has entered into a lease contract for leasing a parcel of land from the Industrial Development Bureau of the Ministry of Economic Affairs for the period from June 29, 2004, to June 28, 2024. During the term of the lease, the Company has an option to purchase the rented land from the Industrial Development Bureau of the Ministry of Economic Affairs through a formal application. Once the application is approved, the rental and deposit paid during the lease period can be offset against the purchase price. The Company intends to purchase the rented land after the contract expires. The finance lease liabilities payable were as follows:

		Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2018				
Less than one year	$	7,064	77	6,987
Between one and five years		28,256	1,054	27,202
More than five years		3,532	1,883	1,649
	$	38,852	3,014	35,838
December 31, 2017				
Less than one year	$	7,064	77	6,987
Between one and five years		28,256	1,054	27,202
More than five years		10,595	2,362	8,233
	$	45,915	3,493	42,422

(m) Current provisions (recorded as other payable)

		Provision for defective products
Balance at January 1, 2018	$	13,231
Increase in provisions		6,259
Reversal of unused provisions		(14,740)
Balance at December 31, 2018	$	4,750
Balance at January 1, 2017	$	-
Increase in provisions		27,713
Reversal of unused provisions		(14,482)
Balance at December 31, 2017	$	13,231

The Company may have losses caused by the defeats of new products that are not yet mass produced and by the return and compensation occurred after products were delivered to customers. The Company had estimated the provisions based on historical experience and recognized the amount under operating cost.

(n) Operating leases

(i) Lessee

Non-cancellable rental payables of operating leases were as follows

	December 31, 2018	December 31, 2017
More than five years	$ 59,503	71,123

The Company leases offices and factory facilities under operating leases. The leases typically run for a period of 4 to 5 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract.

For the years ended December 31, 2018 and 2017, lease expenses were $19,321 thousand and $19,281 thousand, respectively.

(ii) Lessor

The Company leases out its investment property under operating leases; please refer to note 6(j). The future minimum lease payment receivables under non-cancellable leases were as follows:

	December 31, 2018	December 31, 2017
Less than five years	$ 49,897	102,598

(o) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	December 31, 2018	December 31, 2017
The present value of the defined benefit obligations	$ 607,256	598,028
Fair value of plan assets	(467,801)	(423,675)
The net defined benefit liability	$ 139,455	174,353

The Company established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Company allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from two year time deposits with interest rates offered by local banks.

The Company's Bank of Taiwan labor pension reserve account balance amounted to $467,801 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labors.

2) Movements in present value of defined benefit obligation

The movements in present value of the Company's defined benefit obligation for the years ended December 31, 2018 and 2017 were as follows:

	2018	2017
Defined benefit obligation as of 1 January	$ 598,028	636,379
Current service costs and interest	14,742	14,510
Remeasurements of net defined benefit liability (asset)		
- Return on plan assets (excluding current interest expense)	21,429	10,500
- Due to changes in financial assumption of actuarial (losses) gains	12,848	(13,674)
Benefits paid by the plan	(39,791)	(49,687)
Defined benefit obligation as of 31 December	$ 607,256	598,028

3) Movements in fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Fair value of plan assets as of January 1	$	423,675	462,360
Remeasurements of net defined benefit liability (asset)			
- Return on plan assets (excluding current interest expense)		18,090	4,306
Contributions made		65,827	6,696
Benefits paid by the plan		(39,791)	(49,687)
Fair value of plan assets as of December 31	$	467,801	423,675

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2018 and 2017 were as follows:

		2018	2017
Current service cost	$	6,710	7,526
Net interest on the defined benefit liability (asset)		2,365	1,931
	$	9,075	9,457

		2018	2017
Operating costs	$	5,555	5,787
Operating expenses		3,089	3,379
Other income and expenses		222	261
Other receivable		209	30
	$	9,075	9,457

5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2018 and 2017, were as follows:

		2018	2017
Balance of January 1	$	(178,457)	(180,884)
Recognized during the period		(21,854)	2,427
Balance of December 31	$	(200,311)	(178,457)

(6) Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting dates:

	December 31, 2018	December 31, 2017
Discount rate	1.125%	1.375%
Future salary increases rate	1.500%	1.500%

The Company expects to make contributions of $4,535 thousand to the defined benefit plans in the next year starting from the reporting date of 2018.

The weighted-average duration of the defined benefit plan is 11.22 years.

7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Company uses judgments and estimations to determine the related actuarial assumptions, including discount rates, employee turnover rates and future salary changes, as of balance sheet date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

As of December 31, 2018 and 2017, the effects of the present value of the defined benefit obligation arising from changes in principle actuarial assumptions were as follows:

	Effects of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2018		
Discount rate	$ (12,848)	13,291
Future salary increase rate	12,819	(12,450)
December 31, 2017		
Discount rate	(13,240)	13,674
Future salary increase rate	13,232	(12,877)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis are the same as those of the prior year.

(ii) Defined contribution plans

The Company has made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Company contributes a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Company's pension costs under the defined contribution plan were $24,022 thousand and $21,937 thousand for the years 2018 and 2017, respectively. Payments were made to the Bureau of Labor Insurance.

(iii) Short-term employee benefit liabilities

	December 31, 2018	December 31, 2017
Compensated absence liabilities	$ 25,658	24,346

(p) Income tax

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing year 2018.。

(i) Income tax expenses (benefit)

The amount of the Company's income tax expenses (benefit) for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Current income tax expense		
Adjustment for prior periods	$ 9,221	5,797
Deferred tax expense		
Origination and reversal of temporary differences	67,833	16,643
Adjustment of tax rates	51,772	-
Change in unrecognized temporary differences	7,117	-
	126,722	16,643
Income tax expenses on continuing operations	$ 135,943	22,440

Reconciliations of the Company's income tax expense (benefit) and the profit before tax for 2018 and 2017 were as follows:

	2018	2017
Income before tax	$ 1,328,129	896,547
Income tax calculated on pretax accounting income at statutory rate	$ 265,627	152,413
Adjustment of tax rates	51,772	-
Dividend income	(10,885)	(8,727)
Adjustment for prior periods	9,221	6,973
Domestic investment loss	(94,488)	21,022
Foreign investment income	(169,543)	(141,623)
R&D tax credits utilized	(7,900)	(6,163)
Current year losses for which no deferred income tax asset was recognized	80,800	-
Change in unrecognized temporary differences	7,117	-
Others	4,222	(1,455)
Total	$ 135,943	22,440

(ii) Recognized deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Company deferred tax assets have not been recognized in respect of the following items:

	December 31, 2018
Tax effect of deductible Temporary Differences	$ 7,117
The carryforward of unused tax losses	80,800
	$ 87,917

Under the income tax rate, tax losses can be carried forward for ten years to offset taxable income after permitted by domestic tax authority. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Company can utilize the benefits therefrom.

As of December 31, 2018, the amount of tax losses not yet recognized as deferred tax assets and their credit for the previous year is as follows:

Year	Amount	Year of expiration
2016	$ 19,985	2026
2018	60,815	2028
	$ 80,800	

1) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2018 and 2017 were as follows:

	Defined benefit plans	Allowance for inventory valuation	Loss carryforward	Others	Total
Balance at January 1, 2018	$ 30,053	14,818	23,676	16,779	85,326
Recognized in profit or loss	(6,533)	3,853	(15,050)	3,558	(14,172)
Balance at December 31, 2018	$ 23,520	18,671	8,626	20,337	71,154
Balance at January 1, 2017	$ 19,704	6,231	37,042	24,344	87,321
Recognized in profit or loss	10,349	8,587	(13,366)	(7,565)	(1,995)
Balance at December 31, 2017	$ 30,053	14,818	23,676	16,779	85,326

Deferred tax liabilities:

	Foreign investment income accounted for under equity method	Capitalization of interest expense	Land value increment tax	Others	Total
Balance at January 1, 2018	$ 324,654	31,963	56,683	12,553	425,853
Recognized in profit or loss	102,821	5,017	-	4,712	112,550
Balance at December 31, 2018	$ 427,475	36,980	56,683	17,265	538,403
Balance at January 1, 2017	$ 311,287	31,751	56,683	11,484	411,205
Recognized in profit or loss	13,367	212	-	1,069	14,648
Balance at December 31, 2017	$ 324,654	31,963	56,683	12,553	425,853

(iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2016.

(q) Capital and other equity

(i) Capital

In accordance with the Company' s articles of incorporation amended on June 21, 2018, the capital share of the Company amounted to $12,000,000 thousand, divided into 1,200,000,000 shares, at NTD10 per share.

In accordance with the original Company's articles of incorporation, the capital share of the Company amounted to $9,000,000 thousand, divided into 900,000,000 shares, at NTD10 per share.

As of December 31, 2018 and 2017, 825,709,978 shares of ordinary were issued.

(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2018 and 2017, were as follows:

	December 31, 2018	December 31, 2017
Share premium	$ 849	849
Overaging unclaimed dividends	44,309	40,194
	$ 45,158	41,043

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

(iii) Retained earnings

1) Legal reserve

The ROC Company Act stipulates that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of issued share capital. When a Company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed.

2) Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) were reclassified to retained earnings at the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified $(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

A portion of current period earnings and undistributed prior period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current period reduction of special earnings reserve resulting from the first-time

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adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

3) Distribution of retained earnings

In accordance with the Company's articles of incorporation amended on June 21, 2018, the profit of annual account, if any, shall deduct the tax and make up the loss carried from previous years, then appropriate 10% as legal reserve fund. The rest shall be distributed or reserved as special reserve pursuant to the Securities and Exchange Act. The distributable earnings shall be the balance after considering the above facts and accounting requirement by the relevant law, if any, plus the unappropriated earnings from the previous period; With regard to distribution of surplus, it is proposed to distribute the available surplus.

With regard to the distribution of the dividends of the above-mentioned shareholders, their cash dividend must not be less than 20% of the total amount distributed.

In accordance with the original Company's articles of incorporation, the Company must retain 10% of its after-tax earnings as legal reserve (less deficits of prior years, if any) and then provide a special reserve. No less than 50% of distributable earnings shall be appropriated to shareholders.

If the dividends and bonuses mentioned above were to be distributed, distribution of cash dividends should not be less than 20% of total dividends, and the distribution of stock dividends should not be more than 80% of total dividends. If the dividends per share are less than NTD 0.5, part or all of the remaining earnings can be retained.

The appropriations of 2017 and 2016 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 21, 2018, and June 22, 2017, respectively, were as follows:

	2017		2016	
	Amount per share (NTD)	Total amount	Amount per share (NTD)	Total amount
Dividends distributed to common shareholders:				
Cash	$ 0.96	792,682	1.00	825,710

(iv) Other equities

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available-for-sale financial assets	Effective portion of cash flow hedges	Total
Balance as of January 1, 2018 (after adjustments of retrospective application)	$ 512,008	-	623,809	11,721	1,147,538
Effects of retrospective application	-	593,961	(623,809)	-	(29,848)
Balance at January 1, 2018 after adjustments	512,008	593,961	-	11,721	1,117,690
Foreign exchange differences arising from foreign operation	(46,419)	-	-	-	(46,419)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	177,996	-	-	177,996
Disposal of investments in equity instruments at fair value through other comprehensive income	-	29,848	-	-	29,848
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	-	(79,855)	(79,855)
Balance as of December 31, 2018	$ 465,589	801,805	-	(68,134)	1,199,260

		Foreign exchange differences arising from foreign operations	Available-for-sale financial assets	Effective portion of cash flow hedges	Total
Balance as of January 1, 2017	$	990,359	735,464	(23,562)	1,702,261
Foreign exchange differences arising from foreign operation		(478,351)	-	-	(478,351)
Unrealized gains (losses) from available-for-sale financial assets - the Company		-	(80,331)	-	(80,331)
Unrealized gains (losses) from available-for-sale financial assets - the subsidiary		-	(31,324)	-	(31,324)
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges		-		35,283	35,283
Balance as of December 31, 2017	$	512,008	623,809	11,721	1,147,538

(r) Earnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for the years ended December 31, 2018 and 2017, were as follows:

(i) Basic earnings per share

		2018	2017
Net income attributable to common shareholders of the Company	$	1,192,186	874,107
Weighted-average number of common shares		825,710	825,710
Basic earnings per share (in NTD)	$	1.44	1.06

(ii) Diluted earnings per share

		2018	2017
Net income attributable to common shareholders of the Company (diluted)	$	1,192,186	874,107
Weighted-average number of common shares (basic)		825,710	825,710
Impact of potential common shares			
Effect of employees' bonuses		2,683	1,603
Weighted-average number of shares outstanding (diluted)		828,393	827,313
Diluted earnings per share (in NTD)	$	1.44	1.06

(s) Employees' compensation and directors' remuneration

In accordance with the Company's articles of incorporation, if there is profit for the year, the Company should contribute more than 1% of its profit as employees' compensation, and less than 1% as directors' remuneration. The related regulations on distribution of employees' compensation and directors' remuneration were approved by the board of directors.

For the years ended December 31, 2018 and 2017, the Company estimated its employees' compensation were $64,290 thousand and $49,732 thousand, respectively, and the estimated amounts of directors' remuneration were $14,064 thousand and $9,558 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. Related information would be available at the Market Observation Post System website. The amounts, as stated in the parent company onlyfinancial statements, are identical to those of the actual distributions for 2018 and 2017.

(t) Revenue from contracts with customers

	For the years ended December 31, 2018		
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	$ 7,466,957	1,199,108	8,666,065
America	1,061,915	1,293	1,063,208
Europe	502,481	-	502,481
Others	602,714	52	602,766
	$ 9,634,067	1,200,453	10,834,520
Major product lines:			
Synthetic rubber / elastomers	$ 9,197,559	-	9,197,559
Applied materials	-	1,197,286	1,197,286
Others	436,508	3,167	439,675
	$ 9,634,067	1,200,453	10,834,520

For details on revenue for the years ended December 31, 2017, please refer to note 6(u).

(u) Revenue

The details of the Company's revenue for the years ended December 31, 2018 and 2017 were as follows:

	2017
Sale of goods	$ 11,254,655

(v) Other income and expenses

The components of the Company's other income and expenses for the years ended December 31, 2018 and 2017, were as follows:

	2018	2017
Rental income	$ 77,711	74,335
Royalty income	173,727	144,806
Net service income	3,570	30,466
Depreciation of investment properties	(14,726)	(14,725)
Net other income	(1,356)	24,237
Other income and expenses	$ 238,926	259,119

(w) Non-operating income and expenses

(i) Other gains

	2018	2017
Interest income	$ 7,485	5,601
Dividend income	66,470	51,779
Other gains	$ 73,955	57,380

(ii) Other gains and losses

	2018	2017
Gains on disposals of investment	-	154,458
Foreign exchange gain, net	12,218	18,221
Other loss	(1,167)	(1,740)
Other gains and losses, net	$ 11,051	170,939

(iii) Finance costs

	2018	2017
Interest expense	$ 81,035	71,568

(x) Reclassification of components of other comprehensive income

The changes in components of other comprehensive income were as follows:

	2018	2017
Effective portion of cash flow hedges:		
Net gains (losses) for current year	$ (86,325)	44,784
Less: Adjustment of reclassification included in profit or loss	(6,470)	9,501
Net gains (losses) recognized in other comprehensive income	$ (79,855)	35,283
Available-for-sale financial assets		
Net change in fair value for current period	$ -	(111,655)
Net change in fair value reclassified to profit or loss	-	-
Net changes in fair value recognized in other comprehensive income	$ -	(111,655)

(y) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Company's financial assets is equal to their carrying amount. As of December 31, 2018 and 2017, the maximum credit risk exposure amounted to $2,726,345 thousand, $2,385,767 thousand, respectively.

2) Concentration of credit risk

The Company's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Company deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Company concluded that it is not exposed to credit risk.

The Company guarantees bank loans for investees. The Company concluded that it is not exposed to credit risk for these transactions.

(ii) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments but excluding the impact of netting agreements.

		Contractual cash flows	Within 6 months
December 31, 2018			
Non-derivative financial liabilities			
Short-term borrowings	$	2,358,154	2,358,154
Accounts payable		914,222	914,222
Other payable		393,266	393,266
Long-term borrowings		4,448,523	452,040
Deposits received		16,873	16,873
Financial guarantee contracts		4,159,941	732,738
	$	12,290,979	4,867,293
December 31, 2017			
Non-derivative financial liabilities			
Short-term borrowings	$	3,813,808	3,813,808
Short-term commercial paper payable		349,975	349,975
Accounts payable		719,356	719,356
Other payable		409,342	409,342
Long-term borrowings		1,623,419	409,057
Deposits received		15,967	15,967
Financial guarantee contracts		2,709,687	526,562
Derivative financial liabilities			
Other forward contracts:			
Outflow		226	226
	$	9,641,780	6,244,293

The Company does not expect that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

(iii) Currency risk

1) Risk exposure

The Company's financial assets and financial liabilities exposed to significant currency risk were as follows:

		Foreign currency	Exchange rate	NTD
December 31, 2018				
Financial assets:				
Monetary assets:				
USD	$	29,687	30.7330	912,371
EUR	$	1,524	35.2047	53,652
JPY	$	11,446	0.2784	3,187
CNY	$	12,114	4.4742	54,200
Financial liabilities:				
Monetary liabilities:				
USD	$	30,887	30.7330	949,250
EUR	$	2,235	35.2047	78,683
JPY	$	3,694	0.2784	1,028
December 31, 2017				
Financial assets:				
Monetary assets:				
USD	$	26,287	29.8480	784,614
EUR	$	2,004	35.6743	71,491
JPY	$	20,486	0.2649	5,427
CNY	$	12,245	4.5788	56,067

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6-12 months	1-2 years	2-5 years	Over 5 years
-	-	-	-
-	-	-	-
-	-	-	-
450,099	144,009	3,402,375	-
-	-	-	-
797,995	898,940	1,730,268	-
1,248,094	1,042,949	5,132,643	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
408,617	805,745	-	-
-	-	-	-
662,625	526,562	-	993,938
-	-	-	-
1,071,242	1,332,307	-	993,938

		Foreign currency	Exchange rate	NTD
Financial liabilities:				
Monetary liabilities:				
USD	$	44,023	29.8480	1,313,999
EUR	$	1,149	35.6743	40,990
JPY	$	10,192	0.2649	2,700

2) Sensitivity analysis

The Company's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the USD, EUR, CNY and JPY had appreciated / depreciated by 1% the Company's net income before tax would have increase/decreased by $56 thousand and $4,401 thousand for the years ended December 31, 2018 and 2017, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

3) Foreign exchange gain and loss on monetary item

The amount, expressed in functional currency, of foreign exchange gain and loss (including realized and unrealized portion) of the Company's monetary items, and the exchange rate used to translate the original amount to the Company's functional currency, NTD (also the expressed currency), were as follows:

	2018			2017	
		Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
USD	$	9,325	30.1465	17,898	30.4499
Other		2,893	-	323	-

(iv) Interest rate risk analysis

Please refer to the note on liquidity risk management for the interest rate exposure of the Company's financial assets and liabilities.

The following sensitivity analysis is based on the risk exposure to interest rates of the non-derivative financial instruments on the reporting date. For floating-rate instruments, the sensitivity analysis assumes the floating-rate liabilities as of the reporting date are outstanding for the whole year.

If the interest rate had increased / decreased by 1%, the Company's net income before tax would have increased / decreased by $66,543 thousand and $54,093 thousand for the years ended December 31, 2018 and 2017, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at floating-rates.

(v) Fair value

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Company's financial assets and liabilities are valuated approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

	December 31, 2018				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	$ 305,631	305,631	-	-	305,631
Unlisted stocks (domestic and overseas)	790,064	-	-	790,064	790,064
Subtotal	1,095,695	305,631	-	790,064	1,095,695
Financial assets measured at amortized cost					
Cash and cash equivalents	338,449	-	-	-	-
Accounts and notes receivables	1,123,118	-	-	-	-
Other receivables	134,365	-	-	-	-
Refundable deposit	34,718	-	-	-	-
Subtotal	1,630,650	-	-	-	-
Total	$ 2,726,345	305,631	-	790,064	1,095,695
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 2,354,568	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	4,299,693	-	-	-	-
Notes and accounts payable	914,222	-	-	-	-
Other payables	393,266	-	-	-	-
Deposits received	16,873	-	-	-	-
Subtotal	7,978,622	-	-	-	-
Total	$ 7,978,622	-	-	-	-

	December 31, 2017				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) listed stocks	$ 235,024	235,024	-	-	235,024
Domestic (Oversea) unlisted stocks	701,338	-	-	701,338	701,338
Subtotal	936,362	235,024	-	701,338	936,362
Loans and receivables					
Cash and cash equivalents	231,989	-	-	-	-
Accounts and notes (including related parties)	1,070,692	-	-	-	-
Other receivables	140,819	-	-	-	-
Refundable deposit	5,905	-	-	-	-
Subtotal	1,449,405	-	-	-	-
Total	$ 2,385,767	235,024	-	701,338	936,362
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	$ 226	-	226	-	226
Financial liabilities measured at amortized cost					
Short-term borrowings	3,809,306	-	-	-	-
Short-term notes and bills payable	349,975	-	-	-	-
Long-term debts (including current portion)	1,600,000	-	-	-	-
Accounts payables	719,356	-	-	-	-
Other payables	409,342	-	-	-	-
Deposits received	15,967	-	-	-	-
Subtotal	6,903,946	-	-	-	-
Total	$ 6,904,172	-	226	-	226

2) Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Company have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Company uses market comparison approach to evaluate the fair value. The main assumption is based on the investee's earnings after tax and the listed (over the counter) Company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity. Forward Exchange Contracts are normally priced based on the exchange rates provided by the World Agencies.

3) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2018	$ 701,338
Total gains recognized:	
In other comprehensive income (loss)	88,726
Balance at December 31, 2018	$ 790,064
Balance at January 1, 2017	$ 748,683
Total losses recognized:	
In other comprehensive income (loss)	(47,345)
Balance at December 31, 2017	$ 701,338

4) Quantified information on significant unobservable inputs (Level 3) used in fair value measurement

Quantified information of significant unobservable inputs was as follows:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
• Financial assets at fair value through other comprehensive income equity investments without an active market	• Comparative listed Company	• Multipliers of price-to-earnings ratios as of December 31, 2018 and 2017 were 13.20~17.32 and 14.81~15.13, respectively • Market illiquidity discount rate as of December 31, 2018 and 2017 was both 20%	The estimated fair value would increase (decrease) if • the multiplier were higher (lower) • the market illiquidity discount were lower (higher)

5) Fair value measurements in Level 3 - sensitivity analysis of reasonably possible alternative assumptions

For fair value measurements in Level 3, changing one or more of the assumptions would have the following effects on profit or loss and other comprehensive income:

	Input	Assumptions	Other comprehensive income	
			Favourable	Unfavourable
December 31, 2018				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	$ 9,878	(9,878)
December 31, 2017				
Available-for-sale financial assets				
Equity investments without an active market	Liquidity discount at 20%	1%	8,768	(8,768)

The favourable and unfavourable effects represent the changes in fair value, and the fair value is based on a variety of unobservable inputs calculated using a valuation technique. The analysis above only reflects the effects of changes in a single input, and it does not include the interrelationships with another input.

(z) Financial risk management

(i) Overview

The Company is exposed to the following risks arising from financial instruments:

1) Credit risk
2) Liquidity risk
3) Market risk

This note discloses information about the Company's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Company's finance department is responsible for the establishment and management of the Company's risk management framework and policies. It is overseen by and reports to management, the Audit Committee, and the Board of Directors regarding the framework's operations.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Company's Audit Committee oversees how management monitors compliance with the Company's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Company. The Company's Audit Committee is assisted in its oversight role by Internal Audit, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

(iii) Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from customers and investment securities.

1) Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2018 and 2017, there was no geographical concentration of credit risk regarding the Company's revenue.

The sales department and the finance department of the Company has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes the history of transactions with the counter-party, its financial position, and geographic considerations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis.

Goods are sold subject to a retention of title clause so that in the event of non payment, the Company may have a secured claim. The Company otherwise does not require collateral in respect of trade and other receivables.

The Company has established an allowance for doubtful accounts to reflect its actual and estimated potential losses resulting from uncollectible accounts and trade receivables. The allowance for doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on the use of lifetime expected credit loss provision.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Company's finance department. Since those who transact with the Company are banks and other external parties with good credit standing, financial institutions with a credit rating above investment grade, and government agencies, there are no non compliance issues. With regard to investment in a financial institution with a credit rating above investment grade, an investment limit is set according to the long-term credit rating. Hence, there is no significant credit risk.

3) Guarantees

The Company's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided to subsidiaries, associates, and jointly controlled entities by the Company as of December 31, 2018 and 2017, are disclosed in note 7 "Related-party Transactions."

(iv) Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company. The currencies used in these transactions are EUR, USD, JPY and CNY.

Foreign exchange gains and losses resulting from account and trade receivables held by the Company in a currency other than the respective functional currencies are used to offset foreign exchange gains and losses resulting from short-term loans denominated in a foreign currency. Hence, the Company's risk exposure to foreign exchange risk is reduced.

Interest expenses are denominated in the same currency as that of the principal. Generally, the currency of loans matches that of the Company's operating cash flow, primarily NTD, USD, EUR and JPY.

With regard to monetary assets and liabilities denominated in a foreign currency, when a short-term risk exposure exists, the Company relies on immediate foreign exchange transactions to ensure the net exposure to foreign exchange risk is maintained at an acceptable level.

The Company does not hedge against investments in subsidiaries.

2) Interest rate risk

The interest rates of the Company's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Company's finance department monitors and measures potential changes in market conditions, entering into interest rate swaps to achieve a fixed interest rate on the Company's loans.

3) Other market price risk

The Company does not enter into any commodity contracts other than to meet the Company's expected usage and sales requirements; such contracts are not settled on a net basis.

(aa) Capital management

The Company goal of capital management is to ensure the Company's continuing operating capacity, and to continuously provide remuneration to the shareholders and benefits to other equity holders. To ensure that the above mentioned goal is achieved, the Company's management reviews its capital structure periodically. In consideration of the overall economic situation, financing cost and sufficiency of cash in-flows generated by operating activities, the Company will adjust its capital structure by paying dividends, issuing new stock, purchasing treasury stock, increasing or decreasing loans, and issuing or purchasing bonds.

The Company's capital structure at the end of the reporting period were as follows:

	December 31, 2018	December 31, 2017
Total liabilities	$ 8,992,830	7,782,997
Total equity	15,311,003	14,877,516
Total assets	$ 24,303,833	22,660,513
Debts ratio	37%	34%

As of December 31, 2018, there were no material changes in The Company's debts ratio.

(ab) Investing and financing activities not affecting current cash flow

The Company did not have any non-cash flow transactions on investing and financing activities for the years ended December 31, 2018 and 2017.

(ac) Investing and financing activities not affecting current cash flow

Reconciliation of liabilities arising from financing activities were as follows:

			Non-cash changes		
	January 1, 2018	Cash flows	Foreign exchange movement	Amortization of commercial paper discount	December 31, 2018
Long-term borrowings (including current portion)	$ 1,600,000	2,200,000	-	-	3,800,000
Other long-term borrowings	-	494,940	-	4,753	499,693
Short-term borrowings	3,809,306	(1,681,444)	226,706	-	2,354,568
Short-term commercial paper payable	349,975	(350,477)	-	502	-
Total liabilities from financing activities	$ 5,759,281	663,019	226,706	5,255	6,654,261

<7> Related-party Transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the subsidiaries.

(b) Names and relationship with related parties

In this financial report, the related parties having transactions with the Company and subsidiaries were listed as below:

Name of related party	Relationship with the Group
Trimurti Holding Corporation	The subsidiary of the Company
Hardison International Corporation	〃
Dymas Corporation	〃
TSRC (Hong Kong) Limited	〃
TSRC (Shanghai) Industries Ltd.	〃
TSRC (Lux.) Corporation S.'a r.l.	The subsidiary of the Company
TSRC (USA) Investment Corporation	〃
Dexco Polymers L.P.	〃
Polybus Corporation Pte Ltd.	〃
Shen Hua Chemical Industries Co., Ltd.	〃
TSRC-UBE (Nantong) Industries Co., Ltd.	〃
TSRC (Nantong) Industries Ltd.	〃
Triton International Holdings Corporation	〃
Indian Synthetic Rubber Private Limited	The subsidiary recognized joint venture under equity method
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	The subsidiary recognized associates under equity method
Asia Pacific Energy Development Co., Ltd.	〃
Taiwan Advanced Material Corp	The Company recognized joint venture under equity method (Its has been liquidated in December, 2018)
Nantong Qix Storage Co., Ltd.	The subsidiary recognized joint venture under equity method

(c) Significant transactions with related parties

(i) Revenue

The amounts of sales transactions with related parties were as follows:

	2018	2017
Subsidiaries	$ 349,143	273,171

There were no significant differences between the pricing of sales transactions with related parties and that with other customers. The payment terms ranged from two to three months, which were similar to those given to other customers.

(ii) Purchases

The amounts of purchase transactions with related parties were as follows:

	2018	2017
Subsidiaries	$ 18,596	97,564

There were no significant differences between the pricing of purchase transactions with related parties and that with other suppliers. The payment terms ranged from one to two months, which were similar to other suppliers.

(iii) Service income and expenses

1) The Company provided management, technologies and IT services to its subsidiaries, associates, and joint ventures. The amounts recognized as other income and expenses were as follows:

	2018	2017
Subsidiaries		
Shen Hua Chemical Industries Co., Ltd.	$ 5,754	28,709
TSRC (Nantong) Industries Ltd.	59,859	60,789
Other subsidiaries	31,107	37,492
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	15,560	11,448
Indian Synthetic Rubber Private Limited	15,197	45,830
Joint ventures		
Indian Synthetic Rubber Private Limited	47,455	-
	$ 174,932	184,268

2) The Company received consulting services such as marketing, financing and research services from its subsidiaries. In 2018 and 2017, the services amounted to $60,351 thousand and $65,237 thousand, respectively, and were recorded under operating expenses.

(iv) Receivable from related parties

The details of the Company's receivable from related parties were as follows:

Account	Type of related parties	December 31, 2018	December 31, 2017
	Subsidiaries		
Accounts receivable - related parties	TSRC (Nantong) Industries Ltd.	$ 7,434	16,891
Accounts receivable - related parties	Polybus Corporation Pte Ltd.	3,124	11,078
Accounts receivable - related parties	TSRC (Lux.) Corporation S.'a.r.l.	17,076	11,895
Accounts receivable - related parties	Dexco Polymers L.P.	30,231	-
Accounts receivable - related parties	Other subsidiaries	917	-
	Subsidiaries		
Other receivable	TSRC (Nantong) Industries Ltd.	59,644	57,979
Other receivable	Other subsidiaries	9,540	25,076
	Associates		
Other receivable	Indian Synthetic Rubber Private Limited	-	32,707
Other receivable	Other associates	12,187	8,506
	Joint ventures		
Other receivable	Indian Synthetic Rubber Private Limited	20,814	-
		$ 160,967	164,132

(v) Payable to related parties

As the result of the aforementioned transactions, the details of the Company's payable to related parties were as follows:

Account	Type of related parties	December 31, 2018	December 31, 2017
Accounts payable	Subsidiaries	$ 4,340	4,537
Other payable	Subsidiaries	40,736	36,453
		$ 45,076	40,990

(v) Guarantees

The credit limits of the guarantees the Company had provided on the bank loans of related parties were as follows:

	December 31, 2018	December 31, 2017
Subsidiaries		
TSRC (Vietnam) Co., Ltd.	$ 399,529	-
TSRC (USA) Investment Corporation	460,995	-
Dexco Polymers L.P.	307,330	-
Associates		
Indian Synthetic Rubber Private Limited	-	1,656,563
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	1,530,733	1,053,124
Joint ventures		
Indian Synthetic Rubber Private Limited	1,461,354	-
	$ 4,159,941	2,709,687

Accordingly, the amounts of the Company increased provision liabilities and investments accounted for under equity method were as follows:

	December 31, 2018	December 31, 2017
Associates		
Indian Synthetic Rubber Private Limited	$ -	26,350
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	4,428	649
Joint ventures		
Indian Synthetic Rubber Private Limited	24,761	-
	$ 29,189	26,999

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2018	2017
Short-term employee benefits	$ 88,668	87,364
Post-employment benefits	563	393
	$ 89,231	87,757

<8> Pledged Assets: None.

<9> Commitments and Contingencies

(a) As of December 31, 2018 and 2017, the Company's unused letters of credit outstanding for purchases of materials were $1,505,674 thousand, $1,008,244 thousand, respectively.

(b) As of December 31, 2018 and 2017, the Company's signed construction and design contracts with several factories totaled $17,300 thousand, $55,462 thousand, respectively, of which $13,840 thousand, $29,610 thousand, respectively, were paid.

<10> Losses Due to Major Disasters: None.

<11> Subsequent Events: None.

<12> Others

A summary of current-period employee benefits, depreciation, and amortization, by function, is as follows:

By function / By nature	2018			2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	389,679	337,180	726,859	362,900	328,591	691,491
Labor and health insurance	31,451	24,362	55,813	29,043	24,678	53,721
Pension (note 1)	17,600	14,039	31,639	16,517	14,013	30,530
Directors' remuneration	-	40,402	40,402	-	23,250	23,250
Others (note 2)	63,509	50,614	114,123	46,994	49,887	96,881
Depreciation (note 3)	219,629	40,558	260,187	209,412	48,672	258,084
Amortization	6,053	21,070	27,123	3,122	18,851	21,973

Note1 : Pension expenses excluded expenses for employees on international assignments amounting to $1,458 thousand and $864 thousand for the years 2018 and 2017, respectively.

Note2 : Others personnel expenses included meals, employee welfare, training expenses, employees' bonus, and directors' remuneration.

Note3 : Depreciation expenses for investment property recognized under other income and expenses, amounting to $14,726 thousand and $14,725 thousand for the years 2018 and 2017 were excluded.

The average employee numbers were 682 and 658 for the years 2018 and 2017, respectively. There were 8 non-employee directors for both years.

<13> Other Disclosures

(a) Information on significant transactions:

The following is the information on significant transactions required by the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

(i) Loans to other parties:

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	154,592	147,649
2	TSRC (Nantong) Industries Ltd.	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Loan	Yes	328,028	313,194

Note 1: The loan limit extended per party of TSRC (Shanghai) Industries Ltd. should not be over 10% of total equity. However, if the counterparty is a subsidiary 100% owned, directly or indirectly by TSRC, the loan limit extended per party should not be over 50% of the total equity of the most recent financial statements audited or reviewed by a CPA.

Note 2: The maximum loan extended to all parties of TSRC (Shanghai) Industries Ltd. should not be over 40% of total equity. However, if the counterparty is a subsidiary 100% owned, directly or indirectly by TSRC, the total loan limit should not be over 100% of total equity of the most recent financial statements audited or reviewed by a CPA .

Note 3: TSRC (Shanghai) Industries Ltd., and TSRC (Nantong) Industries Ltd. are 100% owned by TSRC.

Note 4: Credit period: The financing period should not be over one year.

Note 5: Nature of financing activities is as follows:

(1)if there are transactions between these two parties, the number is "1".

(2)if it is necessary to loan to other parties, the number is "2".

(ii) Guarantees and endorsements for other parties:

No.	Name of Company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the year	Ending balance of guarantees and endorsements
		Name	Relationship with the Company			
0	TSRC	TSRC (USA) Investment Corporation	4	(Note 2)	464,520	460,995
0	TSRC	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,530,733	1,530,733
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,622,265	1,461,354
0	TSRC	TSRC (Vietnam) Co., Ltd.	4	(Note 2)	402,584	399,529
0	TSRC	Dexco Polymers L.P.	4	(Note 2)	308,550	307,330

Note 1: The guarantee's relationship with the guarantor is as follows:

(1) A Company with which it does business.
(2) A Company in which the public Company directly and indirectly holds more than 50 percent of the voting shares.
(3) A Company that directly and indirectly holds more than 50 percent of the voting shares in the public Company.
(4) A Company in which the public Company holds, directly or indirectly, 90% or more of the voting shares.
(5) A Company that fulfills its contractual obligations by providing mutual endorsements/guarantees for another Company in the same industry or for joint builders for purposes of undertaking a construction project.
(6) A Company that all capital contributing shareholders make endorsements/ guarantees for their jointly invested Company in proportion to their shareholding percentages.
(7) Companies in the same industry provide among themselves joint and several security for a performance guarantee of a sales contract for pre-construction homes pursuant to the Consumer Protection Act for each other.

Note 2: The guaranteed amount is limited to fifty percent of issued capital, amounting to $7,655,502 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to $22,966,505 thousand.

Unit: thousand NTD

Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers (Note 5)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing Company	Maximum financing limit for the lender
						Item	Value		
-	3.915%	2	-	Operating capital	-		-	213,302 (Note 1)	426,603 (Note 2)
-	5.11%	2	-	Operating capital	-		-	434,858 (Note 3)	1,739,431 (Note 4)

Unit: thousand NTD

Amount actually drawn	Property pledged on guarantees and endorsements (Amount)	Ratio of accumulated amounts of guarantees and endorsements to net worth of the latest financial statements	Maximum allowable amount for guarantees and endorsements	Parent company endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement /guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of Company in Mainland China
460,995	-	3.01%	(Note 3)	Y		
425,950	-	10.00%	(Note 3)			Y
1,461,354	-	9.54%	(Note 3)			
-	-	2.61%	(Note 3)	Y		
307,330	-	2.01%	(Note 3)	Y		

(iii) Securities held as of December 31, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Name of holder	Nature and name of security	Relationship with the security issuer	Account name
TSRC	Taiwan High Speed Rail Corporation	-	Available-for-sale financial assets - non-current
TSRC	Evergreen Steel Corporation	-	Available-for-sale financial assets - non-current
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Available-for-sale financial assets - non-current
TSRC	Hsin-Yung Enterprise Corporation	-	Available-for-sale financial assets - non-current
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Available-for-sale financial assets - non-current

(iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
(v) Acquisition of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
(vi) Disposal of individual real estate with amount exceeding the lower of NTD300 million or 20% of the capital stock: None.
(vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NTD300 million or 20% of the capital stock:

Name of Company	Counter-party	Relationship
TSRC (Lux.) Corporation S.'a.r.l.	TSRC	Related parties
TSRC	TSRC (Lux.) Corporation S.'a r.l.	Related parties
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	Related parties
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd.	Related parties
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	Related parties
Dexco Polymers L.P.	TSRC (Nantong) Industries Ltd.	Related parties
TSRC (Nantong) Industries Ltd.	Dexco Polymers L.P.	Related parties

(viii) Receivables from related parties with amounts exceeding the lower of NTD100 million or 20% of the capital stock:

Name of related party	Counter-party	Relationship	Balance of receivables from related party
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.à r.l.	Related parties	263,933

Note 1: Until March 14, 2019.

Unit: thousand NTD

Ending balance				Remarks
Number of shares	Book value	Holding percentage	Market value	
10,001,000	305,631	0.18%	305,631	
12,148,000	366,991	3.00%	366,991	
599,999	146,220	5.42%	146,220	
5,657,000	276,853	3.90%	276,853	
837,552	204,111	7.57%	204,111	
	1,299,806		1,299,806	

Unit: thousand NTD

Transaction details				Status and reason for deviation from arm's -length transaction		Account / note receivable (payable)		Remarks
Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Purchase	178,675	6.37%	70 days	-		(17,076)	(5.19%)	
Sale	(178,675)	(1.65%)	70 days	-		17,076	1.52%	
Purchase	116,398	2.04%	14 days	-		-	-	
Purchase	427,649	70.56%	40 days	-		(10,392)	(34.66%)	
Sale	(427,649)	(9.18%)	40 days	-		10,392	1.97%	
Purchase	998,093	35.59%	90 days	-		(46,980)	(14.29%)	
Sale	(998,093)	(22.94%)	90 days	-		46,980	10.21%	
Purchase	1,625,167	57.96%	70 days	-		(263,933)	(80.27%)	
Sale	(1,625,167)	(34.87%)	70 days	-		263,933	50.01%	
Purchase	237,940	8.39%	70 days	-		(14,115)	(6.26%)	
Sale	(237,940)	(5.11%)	70 days	-		14,115	2.67%	

Unit: thousand NTD

Turnover rate	Overdue amount		Amounts received in subsequent period (Note 1)	Allowances for bad debts
	Amount	Action taken		
6.22	-		108,614	-

(ix) Trading in derivative instruments: None.

(a) Information on investees:

The following is the information on investees for the year 2018 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business
TSRC	Trimurti Holding Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Hardison International Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
TSRC	Taiwan Advanced Materials Corp.	No 39, Bengong 1st Rd., Gangshan Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of TPE
TSRC	TSRC (Vietnam) Co., Ltd.	8 VSIP II-A Street 31, Vietnam Singapore Industrial Park II-A, Tan Uyen Town, Binh Duong Province, Vietnam	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products.
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	100 Peck Seah Street #09 16 Singapore 079333	International commerce and investment corporation
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi 110016, India	Produchion and sale of synthetic rubber products
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.à r.l.	34 36 avenue de la Liberte L-1930 Luxembourg	International commerce and investment corporation
TSRC (Lux.) Corporation S.à r.l.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware. ,19808.	Investment corporation
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston, TX77079	Production and sale of TPE
Hardison International Corporation	Triton International Holdings Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design

Note1 : Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.733; EUR1 to NTD35.2047).

Note2 : TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation.

Note3 : Taiwan Advance Materials Corp. has been liquidated in December, 2018.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2018
Shen Hua Chemical Industries Co., Ltd.	Production and sale of synthetic rubber products	1,266,814 (USD41,220)	(2)a.	-
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	709,932 (USD23,100)	(2)c.	117,769 (USD3,832)
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	169,032 (USD5,500)	(2)b.	120,473 (USD3,920)
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	92,199 (USD3,000)	(2)d.	46,100 (USD1,500)
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,229,320 (USD40,000)	(2)a.	30,733 (USD1,000)
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	3,230,807 (USD105,125)	(2)a.	204,313 (USD6,648)
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,376,838 (USD44,800)	(2)a.	-

Note1: The method of investment is divided into the following four categories:

(1)Remittance from third-region companies to invest in Mainland China.

(2)Through the establishment of third-region companies then investing in Mainland China.

a.Through the establishment of Polybus Corporation Pte. Ltd. then investing in Mainland China.

b.Through the establishment of TSRC (Hong Kong) Limited then investing in Mainland China.

c.Through the establishment of Asia Pacific Energy Development Co., Ltd. then investing in Mainland China.

d.Through the establishment of Triton International Holdings Corporation then investing in Mainland China.

Unit: thousand NTD/thousand USD/thousand EUR

Original cost		Ending balance			Net income (loss) of investee	Investment income (loss)	Remarks
December 31, 2018	December 31, 2017	Shares	Percentage of ownership	Book value			
1,005,495	1,005,495	86,920,000	100.00%	13,133,229	994,253	996,552	Subsidiary
109,442	109,442	3,896,305	100.00%	860,521	66,590	66,590	Subsidiary
38,376	38,376	1,161,004	19.48%	174,404	73,827	14,381	Subsidiary (note 2)
-	720,000	-	-	-	(4,523)	(2,171)	(note 3)
278,280	-	-	100.00%	274,395	(2,160)	(2,160)	subsidiary
2,007,749 (USD65,101)	2,007,749 (USD65,101)	105,830,000	100.00%	8,026,341	684,472	684,472	Indirectly owned subsidiary
2,392,564 (USD77,850)	2,392,564 (USD77,850)	77,850,000	100.00%	3,233,985	107,041	107,041	Indirectly owned subsidiary
905,794 (USD29,473)	861,907 (USD28,045)	222,861,375	50.00%	363,141	450,085	200,977	
1,788,399 (EUR50,800)	1,788,399 (EUR50,800)	50,800,000	100.00%	2,689,129	46,818	46,818	Indirectly owned subsidiary
2,152,847 (USD70,050)	2,152,847 (USD70,050)	100	100.00%	2,617,901	43,108	43,108	Indirectly owned subsidiary
5,919,698 (USD192,617)	5,919,698 (USD192,617)	-	100.00%	1,560,956	230,238	230,238	Indirectly owned subsidiary
1,537 (USD50)	1,537 (USD50)	50,000	100.00%	115,984	7,580	7,580	Indirectly owned subsidiary
147,488 (USD4,799)	147,488 (USD4,799)	4,798,566	80.52%	742,210	73,827	59,446	Indirectly owned subsidiary
346,822 (USD11,285)	346,822 (USD11,285)	7,522,337	37.78%	408,632	139,268	52,616	

Unit: thousand NTD/thousand USD

Investment flow during current period		Cumulative investment (amount)from Taiwan as of December 31, 2018	Net income (loss) of investee	Direct / indirect investment holding percentage	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
Remittance amount	Repatriation amount						
-	-	-	47,054	65.44%	30,792 (note 2)	1,767,378	4,379,389
-	-	117,769 (USD3,832)	243,514	28.34%	69,012 (note 2)	488,307	-
-	-	120,473 (USD3,920)	63,134	100.00%	63,134 (note 2)	426,603	-
-	-	46,100 (USD1,500)	13,392	50.00%	6,696 (note 2)	75,770	-
-	-	30,733 (USD1,000)	56,049	55.00%	30,827 (note 2)	790,189	-
-	-	204,313 (USD6,648)	578,533	100.00%	578,533 (note 2)	4,348,577	-
-	-	-	79,204	50.00%	39,602 (note 3)	219,835	-

(3)Through transferring the investment to third-region existing companies then investing in Mainland China.

(4)Other methods: EX: delegated investments.

Note2: The investment income (loss) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note3: The investment income (loss) were recognized under the equity method and based on the financial statements audited by international accounting firms.

Note4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.733).

(ii) Limitation on investment in Mainland China:

Unit: thousand NTD/thousand USD

Accumulated investment amount in Mainland China as of December 31, 2018	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
519,388 (USD16,900)	5,757,367 (USD187,335) (Note 2)	- (Note 1)

Note1 : In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the "Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China" amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau, Ministry of Economic Affairs, on August 23, 2018. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from August 20, 2018 to August 19, 2021.

Note2 : This amount includes capital increase out of earnings, approved by the Investment Commission, MOEA.

Note3 : Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.733).

(iii) Significant transactions:

1) Sales and accounts receivable

Sales to related parties in Mainland China are summarized as follows:

	2018
TSRC (Shanghai) Industries Ltd.	$ 8,844
TSRC (Nantong) Industries Ltd.	49,236
Shen Hua Chemical Industries Co., Ltd.	152
	$ 58,232

The related accounts receivable resulting from the above transactions as of December 31, 2018 as follows:

	December 31, 2018
TSRC (Shanghai) Industries Ltd.	$ 917
TSRC (Nantong) Industries Ltd.	7,434
	$ 8,351

There were no significant differences between the pricing of sales transactions with related parties and that with other customers. The payment terms ranged from two to three months, which were similar to those given to other customers.

2) Purchases and accounts payable

Purchase from related parties in Mainland China are summarized as follows:

	2018
TSRC (Nantong) Industries Ltd.	$ 18,533
Shen Hua Chemical Industries Co., Ltd.	63
	$ 18,596

The related accounts payable resulting from the above transactions as of December 31, 2018 as follows:

	December 31, 2018
TSRC (Nantong) Industries Ltd.	$ 4,340

There were no significant differences between the pricing of purchases transactions with related parties and that with other customers. The payment terms ranged from one to two months, which were similar to other suppliers.

3) Service income

Nature	Name	Service income in 2018	Accounts receivable as of December 31, 2018
Management and technology services	Shen Hua Chemical Industries Co., Ltd.	$ 5,754	498
Management and technology services	TSRC (Nantong) Industries Ltd.	59,859	59,644
Management and technology services	TSRC-UBE (Nantong) Industries Ltd.	4,284	1,014
Management and technology services & trademark rights	TSRC (Shanghai) Industries Ltd.	8,045	1,602
Management and technology services & trademark rights	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	15,560	12,187
		$ 93,502	74,945

4) Guarantees

As of December 31, 2018, guarantees provided by the Company for the bank loans of investees in Mainland China was as follows:

	2018
ARLANXEO-TSRC (Nantong) Chemical Industrial Co., Ltd.	$ 1,530,733

<14> Segment Information

Please refer to the year 2018 consolidated financial statements.

TSRC Corporation

Chairman:Nita Ing