

**TSRC CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**For the Six-Month Period Ended June 30, 2013 and 2012  
(With Independent Auditors' Review Report Thereon)**

## **Independent Auditors' Review Report**

The Board of Directors  
TSRC Corporation:

We have reviewed the accompanying consolidated balance sheets of TSRC Corporation and subsidiaries (the Group) as of June 30, 2013, December 31, 2012, June 30, 2012, and January 1, 2012, and the related consolidated statements of comprehensive income for the three-month periods ended June 30, 2013 and 2012, and for the six-month periods ended June 30, 2013 and 2012, as well as the consolidated statements of changes in stockholders' equity and of cash flows for the six-month periods ended June 30, 2013 and 2012. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

Except as explained in the third and fourth paragraphs, we conducted our reviews in accordance with Statement of Auditing Standards No. 36, "Engagements to Review Financial Statements". A review consists principally of inquiries of company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the consolidated financial statements taken as a whole. Accordingly, we do not express such an opinion.

The accompanying consolidated financial statements include certain consolidated subsidiaries, whose financial statements for the same periods have not been reviewed by us, and, as of June 30, 2013, the total assets of which amounted to \$7,356,894 thousand, constituting 21% of total consolidated assets, and the total liabilities of which amounted to \$4,113,410 thousand, constituting 22% of total consolidated liabilities; and the comprehensive income of these consolidated subsidiaries for the three-month period ended June 30, 2013, and the six-month period ended June 30, 2013, amounted to \$184,642 thousand and \$270,877 thousand, constituting 27% and 15%, respectively, of the consolidated comprehensive income.

As explained in note 6(e), the Group's investments accounted for under the equity method amounted to \$1,918,447 thousand, \$1,985,612 thousand, \$2,026,348 thousand and \$1,058,858 thousand as of June 30, 2013, December 31, 2012, June 30, 2012, and January 1, 2012, respectively. In addition, the share of profit (loss) of associates and joint ventures accounted for under the equity method amounted to \$(10,188) thousand, \$37,934 thousand, \$(24,666) thousand and \$27,319 thousand for the three-month periods ended June 30, 2013 and 2012, and the six-month periods ended June 30, 2013 and 2012, respectively. The information mentioned above was based on the financial statements of the investees for the same periods, which have not been reviewed by independent accountants.

Base on our reviews, except for the effects of possible adjustments, if any, that might have been determined necessary had the financial statements mentioned in the third and fourth paragraphs been reviewed by independent accountants, we are not aware of any material modification that should be made to the accompanying consolidated financial statements referred to in the first paragraph in order for them to be in conformity with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and with International Financial Reporting Standard 1 "First-time Adoption of International Financial Reporting Standards" and International Accounting Standard 34 "Interim Financial Reporting" endorsed by the Financial Supervisory Commission of the Republic of China.

KPMG

August 8, 2013

**Note to Readers**

The accompanying consolidated financial statements are intended only to present the financial position, results of operations, and cash flows in accordance with the International Financial Reporting Standards approved by the R.O.C. Financial Supervisory Commission and not those of any other jurisdictions. The standards, procedures and practices to review such financial statements are those generally accepted and applied in the Republic of China.

The auditors' report and the accompanying financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language auditors' report and financial statements, the Chinese version shall prevail.

Reviewed only, not audited in accordance with generally accepted auditing standards

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2013, and December 31, June 30, and January 1, 2012

(expressed in thousands of New Taiwan dollars)

Assets	June 30, 2013 Amount	%	December 31, 2012 Amount	%	June 30, 2012 Amount	%	January 1, 2012 Amount	%	Liabilities and Stockholders' Equity	June 30, 2013 Amount	%	December 31, 2012 Amount	%	June 30, 2012 Amount	%	January 1, 2012 Amount	%
<b>Current assets:</b>									<b>Current liabilities:</b>								
Cash and cash equivalents (note 6(a))	\$ 5,589,185	16	5,147,163	14	5,888,422	15	6,055,884	16	Short-term borrowings (notes 6(i) and 8)	\$ 5,940,090	17	6,194,179	17	6,065,434	16	5,101,364	13
Notes receivable (note 6(c))	1,165,788	3	1,408,383	4	1,759,458	5	2,493,559	6	Current portion of long-term borrowings (notes 6(i) and 8)	491,644	1	466,176	1	539,150	1	1,067,183	3
Accounts receivable (note 6(c))	3,823,281	11	4,294,118	12	5,628,472	15	5,937,012	15	Short-term commercial paper payable (note 6(i))	249,595	-	349,441	1	399,238	1	249,601	1
Inventories (note 6(d))	5,905,112	17	6,104,178	17	7,423,520	19	7,040,206	18	Accounts payable	1,610,678	5	1,683,776	5	1,864,708	5	2,334,318	6
Other financial assets—current (notes 7 and 8)	298,979	1	280,314	1	278,720	1	304,657	1	Accounts payable—related parties (note 7)	18,838	-	58,134	-	68,420	-	276,570	1
Other current assets	<u>521,045</u>	<u>1</u>	<u>463,338</u>	<u>1</u>	<u>388,453</u>	<u>1</u>	<u>345,352</u>	<u>1</u>	Current income tax liabilities	269,402	-	577,933	2	402,954	1	834,521	2
<b>Total current assets</b>	<u>17,303,390</u>	<u>49</u>	<u>17,697,494</u>	<u>49</u>	<u>21,367,045</u>	<u>56</u>	<u>22,176,670</u>	<u>57</u>	Dividend payable (note 6(l))	2,309,695	7	-	-	4,330,975	11	-	-
<b>Non-current assets:</b>									Other current liabilities	<u>1,009,120</u>	<u>3</u>	<u>1,291,220</u>	<u>4</u>	<u>862,262</u>	<u>2</u>	<u>1,338,632</u>	<u>4</u>
Available-for-sale financial assets—non-current (note 6(b))	900,783	2	893,054	3	1,030,798	3	1,363,889	4	<b>Total current liabilities</b>	<u>11,899,062</u>	<u>33</u>	<u>10,620,859</u>	<u>30</u>	<u>14,533,141</u>	<u>37</u>	<u>11,202,189</u>	<u>30</u>
Investments accounted for under equity method (note 6(e))	1,918,447	5	1,985,612	6	2,026,348	5	1,058,858	3	<b>Non-current liabilities:</b>								
Property, plant and equipment (notes 6(f) and 8)	10,222,424	29	9,921,124	28	9,095,831	23	8,925,205	23	Long-term borrowings (notes 6(i) and 8)	4,924,491	14	5,293,081	15	5,446,197	14	5,088,720	13
Investment property (note 6(g))	1,677,312	5	1,684,675	5	1,692,037	4	1,699,400	4	Deferred income tax liabilities	991,025	3	1,012,641	3	1,252,795	3	1,196,180	3
Intangible assets (note 6(h))	2,589,173	7	2,590,677	7	2,690,150	7	2,760,687	7	Other non-current liabilities	<u>539,117</u>	<u>2</u>	<u>703,438</u>	<u>2</u>	<u>641,568</u>	<u>2</u>	<u>530,672</u>	<u>1</u>
Deferred income tax assets	236,093	1	213,486	1	182,099	-	99,389	-	<b>Total non-current liabilities</b>	<u>6,454,633</u>	<u>19</u>	<u>7,009,160</u>	<u>20</u>	<u>7,340,560</u>	<u>19</u>	<u>6,815,572</u>	<u>17</u>
Other non-current assets (note 8)	<u>597,216</u>	<u>2</u>	<u>588,956</u>	<u>1</u>	<u>659,809</u>	<u>2</u>	<u>715,753</u>	<u>2</u>	<b>Total liabilities</b>	<u>18,353,695</u>	<u>52</u>	<u>17,630,019</u>	<u>50</u>	<u>21,873,701</u>	<u>56</u>	<u>18,017,761</u>	<u>47</u>
<b>Total non-current assets</b>	18,141,448	51	17,877,584	51	17,377,072	44	16,623,181	43	<b>Equity attributable to shareholders of the parent (notes 6(b), 6(k) and 6(l)):</b>								
									Common stock	<u>7,863,904</u>	<u>22</u>	<u>7,863,904</u>	<u>22</u>	<u>7,863,904</u>	<u>20</u>	<u>7,149,004</u>	<u>18</u>
									Capital surplus	<u>849</u>	<u>-</u>	<u>849</u>	<u>-</u>	<u>849</u>	<u>-</u>	<u>849</u>	<u>-</u>
									Retained earnings:								
									Legal reserve	3,355,130	10	3,097,705	9	3,097,705	8	2,523,529	7
									Unappropriated earnings	<u>2,873,722</u>	<u>8</u>	<u>3,985,802</u>	<u>11</u>	<u>2,895,143</u>	<u>8</u>	<u>6,358,188</u>	<u>16</u>
										<u>6,228,852</u>	<u>18</u>	<u>7,083,507</u>	<u>20</u>	<u>5,992,848</u>	<u>16</u>	<u>8,881,717</u>	<u>23</u>
									Other equity:								
									Financial statements translation differences for foreign operations	1,047,913	3	688,778	2	818,899	2	1,002,365	3
									Unrealized gain (loss) on valuation of available-for-sale financial assets	<u>3,962</u>	<u>-</u>	<u>(1,888)</u>	<u>-</u>	<u>134,397</u>	<u>-</u>	<u>222,671</u>	<u>-</u>
										<u>1,051,875</u>	<u>3</u>	<u>686,890</u>	<u>2</u>	<u>953,296</u>	<u>2</u>	<u>1,225,036</u>	<u>3</u>
									<b>Total stockholders' equity</b>	<u>15,145,480</u>	<u>43</u>	<u>15,635,150</u>	<u>44</u>	<u>14,810,897</u>	<u>38</u>	<u>17,256,606</u>	<u>44</u>
									Non-controlling interests	<u>1,945,663</u>	<u>5</u>	<u>2,309,909</u>	<u>6</u>	<u>2,059,519</u>	<u>6</u>	<u>3,525,484</u>	<u>9</u>
									<b>Total equity</b>	<u>17,091,143</u>	<u>48</u>	<u>17,945,059</u>	<u>50</u>	<u>16,870,416</u>	<u>44</u>	<u>20,782,090</u>	<u>53</u>
<b>Total assets</b>	<u>\$ 35,444,838</u>	<u>100</u>	<u>35,575,078</u>	<u>100</u>	<u>38,744,117</u>	<u>100</u>	<u>38,799,851</u>	<u>100</u>	<b>Total liabilities and stockholders' equity</b>	<u>\$ 35,444,838</u>	<u>100</u>	<u>35,575,078</u>	<u>100</u>	<u>38,744,117</u>	<u>100</u>	<u>38,799,851</u>	<u>100</u>

See accompanying notes to the consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three-month and the six-month periods ended June 30, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

	Three-month periods ended June 30				Six-month periods ended June 30			
	2013		2012		2013		2012	
	Amount	%	Amount	%	Amount	%	Amount	%
<b>Operating revenue (note 7)</b>	\$ 9,175,614	100	12,317,298	100	19,277,632	100	24,131,903	100
<b>Operating cost (notes 6(d), 6(j), 6(l) and 7)</b>	<u>7,923,877</u>	<u>86</u>	<u>10,906,681</u>	<u>88</u>	<u>16,466,565</u>	<u>85</u>	<u>20,768,106</u>	<u>86</u>
<b>Gross profit</b>	1,251,737	14	1,410,617	12	2,811,067	15	3,363,797	14
<b>Operating expenses (notes 6(c), 6(j) and 6(l)):</b>								
Selling expenses	271,187	3	264,795	2	526,411	3	523,192	2
General and administrative expenses	225,038	2	204,106	2	484,623	3	468,485	2
Research and development expenses	<u>93,057</u>	<u>1</u>	<u>82,718</u>	<u>1</u>	<u>180,460</u>	<u>1</u>	<u>137,675</u>	<u>1</u>
<b>Total operating expenses</b>	<u>589,282</u>	<u>6</u>	<u>551,619</u>	<u>5</u>	<u>1,191,494</u>	<u>7</u>	<u>1,129,352</u>	<u>5</u>
Other income and expenses, net (notes 6(n) and 7)	<u>46,751</u>	<u>-</u>	<u>(32,106)</u>	<u>-</u>	<u>75,304</u>	<u>-</u>	<u>177,506</u>	<u>1</u>
<b>Operating profit</b>	<u>709,206</u>	<u>8</u>	<u>826,892</u>	<u>7</u>	<u>1,694,877</u>	<u>8</u>	<u>2,411,951</u>	<u>10</u>
<b>Non-operating income and expenses (notes 6(b) and 6(o)):</b>								
Interest income	19,945	-	21,944	-	41,099	-	46,676	-
Other gains and losses	86,848	-	(33,400)	-	115,712	1	(62,532)	-
Finance costs	(45,035)	-	(62,232)	(1)	(88,296)	-	(125,170)	(1)
Share of profit (loss) of associates and joint ventures accounted for under equity method	<u>(10,188)</u>	<u>-</u>	<u>37,934</u>	<u>-</u>	<u>(24,666)</u>	<u>-</u>	<u>27,319</u>	<u>-</u>
<b>Total non-operating income and expenses</b>	<u>51,570</u>	<u>-</u>	<u>(35,754)</u>	<u>(1)</u>	<u>43,849</u>	<u>1</u>	<u>(113,707)</u>	<u>(1)</u>
<b>Net income before tax</b>	760,776	8	791,138	6	1,738,726	9	2,298,244	9
<b>Less: income tax expenses (note 6(k))</b>	<u>99,596</u>	<u>1</u>	<u>166,505</u>	<u>1</u>	<u>347,049</u>	<u>2</u>	<u>563,096</u>	<u>2</u>
<b>Net income</b>	<u>661,180</u>	<u>7</u>	<u>624,633</u>	<u>5</u>	<u>1,391,677</u>	<u>7</u>	<u>1,735,148</u>	<u>7</u>
<b>Other comprehensive income (loss):</b>								
Finanacial statements translation differences for foreign operations	52,660	-	94,423	1	376,194	2	(228,831)	(1)
Unrealized gain (loss) on valuation of available-for-sale financial assests	(18,502)	-	(17,189)	-	5,850	-	(88,274)	-
Less: income tax expense relating to components of other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Other comprehensive income (loss), net of tax</b>	<u>34,158</u>	<u>-</u>	<u>77,234</u>	<u>1</u>	<u>382,044</u>	<u>2</u>	<u>(317,105)</u>	<u>(1)</u>
<b>Total comprehensive income</b>	<u>\$ 695,338</u>	<u>7</u>	<u>701,867</u>	<u>6</u>	<u>1,773,721</u>	<u>9</u>	<u>1,418,043</u>	<u>6</u>
<b>Net income attributable to:</b>								
Shareholders of the parent	\$ 612,330	6	543,606	4	1,189,960	6	1,400,533	6
Non-controlling interests	<u>48,850</u>	<u>1</u>	<u>81,027</u>	<u>1</u>	<u>201,717</u>	<u>1</u>	<u>334,615</u>	<u>1</u>
	<u>\$ 661,180</u>	<u>7</u>	<u>624,633</u>	<u>5</u>	<u>1,391,677</u>	<u>7</u>	<u>1,735,148</u>	<u>7</u>
<b>Other comprehensive income attributable to:</b>								
Shareholders of the parent	\$ 690,502	7	583,793	5	1,554,945	8	1,128,793	5
Non-controlling interests	<u>4,836</u>	<u>-</u>	<u>118,074</u>	<u>1</u>	<u>218,776</u>	<u>1</u>	<u>289,250</u>	<u>1</u>
	<u>\$ 695,338</u>	<u>7</u>	<u>701,867</u>	<u>6</u>	<u>1,773,721</u>	<u>9</u>	<u>1,418,043</u>	<u>6</u>
<b>Basic earnings per share (in New Taiwan dollars) (note 6(m))</b>	<u>\$ 0.78</u>		<u>0.69</u>		<u>1.51</u>		<u>1.78</u>	

See accompanying notes to the consolidated financial statements.

Reviewed only, not audited in accordance with generally accepted auditing standards

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the six-month periods ended June 30, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent					Other equity adjustments		Total	Total equity attributable to shareholders of the parent	Non-controlling interests	Total
	Common stock	Capital surplus	Legal reserve	Retained earnings	Unappropriated earnings	Financial statement translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets				
<b>Balance at January 1, 2012</b>	\$ 7,149,004	849	2,523,529	6,358,188	8,881,717	1,002,365	222,671	1,225,036	17,256,606	3,525,484	20,782,090
Appropriations and distributions (note 6(l)):											
Legal reserve	-	-	574,176	(574,176)	-	-	-	-	-	-	-
Cash dividends	-	-	-	(3,574,502)	(3,574,502)	-	-	-	(3,574,502)	(1,755,215)	(5,329,717)
Stock dividends	714,900	-	-	(714,900)	(714,900)	-	-	-	-	-	-
Net income for the period	-	-	-	1,400,533	1,400,533	-	-	-	1,400,533	334,615	1,735,148
Other comprehensive income (loss) for the period	-	-	-	-	-	(183,466)	(88,274)	(271,740)	(271,740)	(45,365)	(317,105)
Total comprehensive income (loss) for the period	-	-	-	1,400,533	1,400,533	(183,466)	(88,274)	(271,740)	1,128,793	289,250	1,418,043
<b>Balance at June 30, 2012</b>	<b>\$ 7,863,904</b>	<b>849</b>	<b>3,097,705</b>	<b>2,895,143</b>	<b>5,992,848</b>	<b>818,899</b>	<b>134,397</b>	<b>953,296</b>	<b>14,810,897</b>	<b>2,059,519</b>	<b>16,870,416</b>
<b>Balance at January 1, 2013</b>	\$ 7,863,904	849	3,097,705	3,985,802	7,083,507	688,778	(1,888)	686,890	15,635,150	2,309,909	17,945,059
Appropriations and distributions (note 6(l)):											
Legal reserve	-	-	257,425	(257,425)	-	-	-	-	-	-	-
Cash dividends	-	-	-	(2,044,615)	(2,044,615)	-	-	-	(2,044,615)	(583,022)	(2,627,637)
Net income for the period	-	-	-	1,189,960	1,189,960	-	-	-	1,189,960	201,717	1,391,677
Other comprehensive income (loss) for the period	-	-	-	-	-	359,135	5,850	364,985	364,985	17,059	382,044
Total comprehensive income (loss) for the period	-	-	-	1,189,960	1,189,960	359,135	5,850	364,985	1,554,945	218,776	1,773,721
<b>Balance at June 30, 2013</b>	<b>\$ 7,863,904</b>	<b>849</b>	<b>3,355,130</b>	<b>2,873,722</b>	<b>6,228,852</b>	<b>1,047,913</b>	<b>3,962</b>	<b>1,051,875</b>	<b>15,145,480</b>	<b>1,945,663</b>	<b>17,091,143</b>

See accompanying notes to the consolidated financial statements.

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TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six-month periods ended June 30, 2013 and 2012

(expressed in thousands of New Taiwan dollars)

	Six-month periods ended June 30	
	2013	2012
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 1,738,726	2,298,244
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss		
Depreciation	443,370	378,642
Amortization	94,040	86,043
Bad debt provision	-	27,189
Interest expenses	88,296	125,170
Share of loss (profit) of associates and joint ventures accounted for under equity method	24,666	(27,319)
Losses (gains) on disposal of property, plant and equipment, net	(993)	2,749
Amortization of long-term prepaid rent	5,847	5,741
Losses (gains) on disposal of investments, net	-	9,933
Total adjustments to reconcile profit and loss	<u>655,226</u>	<u>608,148</u>
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	242,595	734,101
Accounts receivable	470,832	281,351
Inventories	199,066	(460,400)
Prepayments	(57,707)	(43,101)
Other financial assets	<u>28,324</u>	<u>25,937</u>
Total changes in operating assets, net	<u>883,110</u>	<u>537,888</u>
Net changes in operating liabilities:		
Accounts payable	(73,098)	(469,610)
Accounts payable—related parties	(39,296)	(208,150)
Other current liabilities	(306,001)	(490,886)
Accrued pension liabilities	(5,483)	(5,768)
Other operating liabilities	<u>(107,345)</u>	<u>118,476</u>
Total changes in operating liabilities, net	<u>(531,223)</u>	<u>(1,055,938)</u>
Total changes in operating assets / liabilities, net	<u>351,887</u>	<u>(518,050)</u>
Total adjustments	<u>1,007,113</u>	<u>90,098</u>
Cash provided by operating activities	2,745,839	2,388,342
Payment of interest	(82,158)	(131,375)
Payment of income tax	<u>(725,775)</u>	<u>(1,156,944)</u>
<b>Net cash provided by operating activities</b>	<u>1,937,906</u>	<u>1,100,023</u>
<b>Cash flows from investing activities:</b>		
Increase in available-for-sale financial assets	-	(87,169)
Proceeds from sale of available-for-sale financial assets	-	302,548
Increase in long-term investments accounted for under equity method	-	(1,001,507)
Proceeds from capital reduction of long-term investments	-	19,558
Acquisition of property, plant and equipment	(408,591)	(687,494)
Proceeds from disposal of property, plant and equipment	2,576	245
Increase in intangible assets	5,175	-
Decrease (increase) in other financial assets	<u>(14,107)</u>	<u>51,651</u>
<b>Net cash used in investing activities</b>	<u>(414,947)</u>	<u>(1,402,168)</u>
<b>Cash flows from financing activities:</b>		
Increase (decrease) in short-term borrowings	(353,935)	1,113,707
Repayment of long-term borrowings	(343,122)	(170,556)
Increase (decrease) in refundable deposits	(46,512)	3,305
Decrease in lease payable	(2,694)	(2,713)
Payment of cash dividends	-	(2,386)
Changes in non-controlling interests	<u>(364,931)</u>	<u>(1,036,222)</u>
<b>Net cash used in financing activities</b>	<u>(1,111,194)</u>	<u>(94,865)</u>
Effects of changes in exchange rates	<u>30,257</u>	<u>229,548</u>
Increase (decrease) in cash and cash equivalents for the period	442,022	(167,462)
Cash and cash equivalents at beginning of period	<u>5,147,163</u>	<u>6,055,884</u>
Cash and cash equivalents at end of period	<u><u>\$ 5,589,185</u></u>	<u><u>5,888,422</u></u>

See accompanying notes to the consolidated financial statements.

**Reviewed only, not audited in accordance with generally accepted auditing standards**

**TSRC CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

**June 30, 2013 and 2012**

**(expressed in thousands of New Taiwan dollars unless otherwise stated)**

**(1) Organization and Business Scope**

TSRC Corporation (the original name was Taiwan Synthetic Rubber Corporation, TSRC)) 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 as approved by the stockholders' meeting, and the registered address of TSRC is 18F., No. 95, Sec. 2, Dunhua S. Rd., Da'an Dist., Taipei City 106, Taiwan (R.O.C.). TSRC and its subsidiaries (the Group) are mainly engaged in the manufacture, import and sales of various types of synthetic rubber, and the import, export, and sale of related raw materials.

**(2) Financial Statements Authorisation Date and Authorisation Process**

These consolidated financial statements were reported to the Board of Directors and issued on August 8, 2013.

**(3) New Standards and Interpretations Not Yet Adopted**

The evaluation of the impact on the financial statements from the new standards and interpretations not yet endorsed by the Financial Supervisory Commission of the Republic of China (FSC) was the same as that disclosed in the consolidated financial statements for the three-month period ended March 31, 2013.

The following are the new standards and interpretations recently released by the International Accounting Standards Board (IASB) and relevant to the Group, but as of the ending date of the reporting period (the reporting date), the FSC had not approved and released the effective date.

<b>Issue date</b>	<b>New standards and amendments</b>	<b>Summary of main changes</b>	<b>Effective date per IASB</b>
2013.5.29	Amended IAS 36 Impairment of Assets	According to the revised standard effective on January 1, 2013, when the amount of the goodwill or the intangible assets with uncertain useful life is material, the recoverable amount of each amortized cash-generating unit has to be disclosed. The amended standard requires that the information mentioned above be disclosed only when an impairment loss is provided or reversed. In addition, the amended standard also requires that the fair value hierarchy and critical valuation assumptions (level 2 or level 3) should be disclosed when calculating the recoverable amount based on the fair value less the selling cost.	January 1, 2014 (early adoption permitted)

The Group is still evaluating the impact of the above-mentioned standards and interpretations on the consolidated financial statements.

(Continued)



**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(4) Significant Accounting Policies**

The consolidated financial statements are the English translation of the Chinese version prepared and used in the Republic of China. If there is any conflict between, or any difference in the interpretation of, the English and Chinese language financial statements, the Chinese version shall prevail.

**(a) Statement of compliance**

These consolidated financial statements have been prepared in accordance with the "Regulations Governing the Preparation of Financial Reports by Securities Issuers" (hereinafter referred to as the Regulations) and IAS 34 "Interim Financial Reporting", which was endorsed by the FSC. These consolidated financial statements do not include all of the information required by the International Financial Reporting Standards, International Accounting Standards, IFRIC Interpretations and SIC Interpretations endorsed by the FSC (hereinafter referred to as the IFRSs endorsed by the FSC) for a complete set of the annual consolidated financial statements.

These consolidated financial statements are for part of the period covered by the first IFRS (endorsed by the FSC) annual financial statements, and IFRS 1 "First-time Adoption of International Financial Reporting Standards" has been applied. An explanation of how the transition to IFRSs has affected the reported financial position, financial performance, and cash flows of the Group is provided in note 15.

The significant accounting policies adopted in these consolidated financial statements are the same as those of the consolidated financial statements for the three-month period ended March 31, 2013. These policies were consistently applied to all relevant reporting periods of these consolidated financial statements and the consolidated balance sheet as of January 1, 2012, are reported for transitioning to the IFRSs endorsed by the FSC. The related information was provided in the consolidated financial statements for the three-month period ended March 31, 2013.

**(b) Basis of consolidation**

The basis of preparing the consolidated financial statements and the subsidiaries included in the consolidated financial statements followed those of the consolidated financial statements for the three-month period ended March 31, 2013.

**(5) Significant Accounting Judgments and Sources of Estimation and Uncertainty**

The preparation of the consolidated financial statements in conformity with IFRSs (in accordance with IAS 34 "Interim Financial Reporting" and 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.

In the preparation of the consolidated financial statements, the major sources of accounting assumptions, judgments and estimation uncertainty are consistent with the consolidated financial statements for the three-month period ended March 31, 2013, and are expected to be consistent with the first complete set of annual financial statements prepared under the IFRSs (endorsed by the FSC). For the related information, please refer to the consolidated financial statements for the three-month period ended March 31, 2013.

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(6) Description of Significant Accounts**

Except as explained below, there are no significant differences in the description of significant accounts from the consolidated financial statements for the three-month period ended March 31, 2013, and the related information is provided in the consolidated financial statements for the three-month period ended March 31, 2013.

**(a) Cash and cash equivalents**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Cash on hand	\$ 519	486	470	455
Checking deposits and savings deposits	1,417,539	2,584,005	1,517,426	1,464,843
Time deposits	3,682,073	2,302,819	3,826,499	3,236,144
Commercial paper with repurchase agreements	489,054	259,853	544,027	1,354,442
	<u><u>\$ 5,589,185</u></u>	<u><u>5,147,163</u></u>	<u><u>5,888,422</u></u>	<u><u>6,055,884</u></u>

**(b) Available-for-sale financial assets — non-current**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Unlisted and non-OTC stocks (domestic or overseas)	<u><u>\$ 900,783</u></u>	<u><u>893,054</u></u>	<u><u>1,030,798</u></u>	<u><u>1,363,889</u></u>

Please refer to note 6(o) for gain or loss on disposal of investments and dividend income. The information of re-measurement gain or loss recognized in other comprehensive income in accordance with fair value is provided in note 6(l).

**(c) Notes and accounts receivable**

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Notes receivable	\$ 1,165,788	1,408,383	1,759,458	2,493,559
Accounts receivable (including related parties)	<u>3,823,426</u>	<u>4,294,258</u>	<u>5,656,190</u>	<u>5,937,541</u>
Subtotal	4,989,214	5,702,641	7,415,648	8,431,100
Less: allowance for impairment	<u>145</u>	<u>140</u>	<u>27,718</u>	<u>529</u>
	<u><u>\$ 4,989,069</u></u>	<u><u>5,702,501</u></u>	<u><u>7,387,930</u></u>	<u><u>8,430,571</u></u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

The movement in the allowance for impairment with respect to accounts and notes receivable during the year was as follows:

	<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>
Opening balance	\$ 140	529
Impairment loss recognized	-	27,189
Effect of exchange rate changes	<u>5</u>	<u>-</u>
Ending balance	<u><u>\$ 145</u></u>	<u><u>27,718</u></u>

Impairment loss recognized for individually assessed impairment was the difference between the carrying amount and the amount expected to be collected. The Group does not hold any collateral for the collectible amounts.

As of June 30, 2013, December 31, 2012, June 30, 2012, and January 1, 2012, the discount value of the Group's notes and accounts receivable was \$0, \$77,533, \$0, and \$0, respectively.

(d) Inventories

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

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Raw materials	\$ 1,603,415	2,076,881	2,015,000	2,281,521
Supplies	74,546	55,240	64,190	73,328
Work in progress	439,429	445,776	397,322	389,937
Finished goods	3,611,346	3,366,768	4,722,326	4,231,692
Merchandise inventories	<u>176,376</u>	<u>159,513</u>	<u>224,682</u>	<u>63,728</u>
Total	<u><u>\$ 5,905,112</u></u>	<u><u>6,104,178</u></u>	<u><u>7,423,520</u></u>	<u><u>7,040,206</u></u>

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

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Loss (gain) on market value of inventory	\$ 33,514	(6,327)	37,422	(28,650)
Income from sale of scrap	(31,930)	(29,465)	(34,961)	(68,995)
Loss on idle capacity	<u>34,055</u>	<u>39,945</u>	<u>68,593</u>	<u>39,945</u>
Total	<u><u>\$ 35,639</u></u>	<u><u>4,153</u></u>	<u><u>71,054</u></u>	<u><u>(57,700)</u></u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(e) Investments accounted for under equity method

A summary of the Group's financial information for equity-accounted investees at the reporting date is as follows:

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Associate:				
Asia Pacific Energy Development Co., Ltd.	\$ 369,396	337,312	306,535	309,746
Indian Synthetic Rubber Limited	544,756	574,719	588,655	346,246
Joint venture:				
Taiwan Advanced Materials Corp.	714,216	716,650	717,676	-
Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd.	290,079	356,931	413,482	402,866
	<u><u>\$ 1,918,447</u></u>	<u><u>1,985,612</u></u>	<u><u>2,026,348</u></u>	<u><u>1,058,858</u></u>

In August 2010, the Group invested \$102,837 in Indian Synthetic Rubber Limited. In addition, in 2011 and 2012, the Group made an additional equity investment of \$250,327 and \$281,507, respectively, in Indian Synthetic Rubber Limited. On January 31, 2012, the Group invested \$720,000 in a newly founded joint venture, Taiwan Advanced Materials Corp.

(f) 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	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Cost or deemed cost:								
Balance at January 1, 2013	\$ 614,101	79,805	3,622,756	17,058,542	216,558	94,596	1,722,202	23,408,560
Additions	-	-	-	11,385	3,182	-	411,787	426,354
Disposals	-	-	-	(13,553)	(22,530)	-	-	(36,083)
Reclassification	-	-	376,412	1,402,783	(14,000)	-	(1,765,195)	-
Effect of changes in exchange rates	-	744	104,597	327,019	5,838	-	59,023	497,221
Balance at June 30, 2013	<u><u>\$ 614,101</u></u>	<u><u>80,549</u></u>	<u><u>4,103,765</u></u>	<u><u>18,786,176</u></u>	<u><u>189,048</u></u>	<u><u>94,596</u></u>	<u><u>427,817</u></u>	<u><u>24,296,052</u></u>
Balance at January 1, 2012	\$ 614,101	80,678	3,607,530	16,275,751	231,268	94,596	1,051,615	21,955,539
Additions	-	-	-	8,044	6,080	-	699,190	713,314
Disposals	-	-	-	(17,085)	(7,533)	-	-	(24,618)
Reclassification	-	-	3,000	393,135	6,330	-	(455,836)	(53,371)
Effect of changes in exchange rates	-	(295)	(46,179)	(154,746)	(2,994)	-	(7,501)	(211,715)
Balance at June 30, 2012	<u><u>\$ 614,101</u></u>	<u><u>80,383</u></u>	<u><u>3,564,351</u></u>	<u><u>16,505,099</u></u>	<u><u>233,151</u></u>	<u><u>94,596</u></u>	<u><u>1,287,468</u></u>	<u><u>22,379,149</u></u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Prepayments for equipment and construction in progress	Total
Depreciation and impairment loss:								
Balance at January 1, 2013	\$ -	77,294	1,554,679	11,722,649	132,814	-	-	13,487,436
Depreciation	-	242	65,408	360,694	9,663	-	-	436,007
Disposal	-	-	-	(13,126)	(21,374)	-	-	(34,500)
Reclassification	-	-	-	2,303	(2,303)	-	-	-
Effect of changes in exchange rates	-	714	36,562	143,950	3,459	-	-	184,685
Balance at June 30, 2013	<u>\$ -</u>	<u>78,250</u>	<u>1,656,649</u>	<u>12,216,470</u>	<u>122,259</u>	<u>-</u>	<u>-</u>	<u>14,073,628</u>
Balance at January 1, 2012	\$ -	77,644	1,513,570	11,269,444	169,676	-	-	13,030,334
Depreciation	-	242	64,272	295,951	10,814	-	-	371,279
Disposal	-	-	-	(14,451)	(7,173)	-	-	(21,624)
Effect of changes in exchange rates	-	(281)	(18,676)	(75,622)	(2,092)	-	-	(96,671)
Balance at June 30, 2012	<u>\$ -</u>	<u>77,605</u>	<u>1,559,166</u>	<u>11,475,322</u>	<u>171,225</u>	<u>-</u>	<u>-</u>	<u>13,283,318</u>
Carrying value:								
January 1, 2013	<u>\$ 614,101</u>	<u>2,511</u>	<u>2,068,077</u>	<u>5,335,893</u>	<u>83,744</u>	<u>94,596</u>	<u>1,722,202</u>	<u>9,921,124</u>
June 30, 2013	<u>\$ 614,101</u>	<u>2,299</u>	<u>2,447,116</u>	<u>6,569,706</u>	<u>66,789</u>	<u>94,596</u>	<u>427,817</u>	<u>10,222,424</u>
January 1, 2012	<u>\$ 614,101</u>	<u>3,034</u>	<u>2,093,960</u>	<u>5,006,307</u>	<u>61,592</u>	<u>94,596</u>	<u>1,051,615</u>	<u>8,925,205</u>
June 30, 2012	<u>\$ 614,101</u>	<u>2,778</u>	<u>2,005,185</u>	<u>5,029,777</u>	<u>61,926</u>	<u>94,596</u>	<u>1,287,468</u>	<u>9,095,831</u>

TSRC (Jinan) Industries Ltd. 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.

i) Security

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

ii) Property, plant and equipment under construction

For the six-month period ended June 30, 2013, the Group, at a capitalization rate of 1.96%, capitalized \$11,216 of the borrowing costs in relation to the construction of the new factory. There was no such event for the six-month period ended June 30, 2012.

(g) Investment properties

There were no significant additions to, disposals of, or provision (reversal) of impairment of the Group's investment properties for the six-month periods ended June 30, 2013 and 2012, and the related information is provided in the consolidated financial statements for the three-month period ended March 31, 2013.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in the consolidated financial statements for the three-month period ended March 31, 2013.

As of June 30, 2013, and December 31, June 30, and January 1, 2012, the Group's investment properties were not provided as pledged assets.

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(h) Intangible assets

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

	Industrial technology	Computer software	Goodwill	Patent and trademark	Customer relationship	Non- compete	Total
Costs:							
Balance at January 1, 2013	\$ 956,565	141,792	200,130	579,806	1,045,983	8,741	2,933,017
Additions	-	5,175	-	-	-	-	5,175
Effect of changes in exchange rates	38,577	3,566	6,759	19,348	35,326	295	103,871
Balance at June 30, 2013	<u>\$ 995,142</u>	<u>150,533</u>	<u>206,889</u>	<u>599,154</u>	<u>1,081,309</u>	<u>9,036</u>	<u>3,042,063</u>
Balance at January 1, 2012	\$ 954,557	74,554	208,057	602,771	1,087,411	9,087	2,936,437
Reclassification	-	53,371	-	-	-	-	53,371
Effect of changes in exchange rates	(16,119)	(349)	(16,680)	(7,761)	-	(117)	(41,026)
Balance at June 30, 2012	<u>\$ 938,438</u>	<u>127,576</u>	<u>191,377</u>	<u>595,010</u>	<u>1,087,411</u>	<u>8,970</u>	<u>2,948,782</u>
Amortization and Impairment loss:							
Balance at January 1, 2013	\$ 138,110	57,522	-	39,916	101,693	5,099	342,340
Amortization	28,377	22,897	-	11,618	29,661	1,487	94,040
Effect of changes in exchange rates	9,428	1,800	-	1,281	3,810	191	16,510
Balance at June 30, 2013	<u>\$ 175,915</u>	<u>82,219</u>	<u>-</u>	<u>52,815</u>	<u>135,164</u>	<u>6,777</u>	<u>452,890</u>
Balance at January 1, 2012	\$ 91,054	21,008	-	17,833	43,583	2,272	175,750
Amortization	25,993	16,009	-	11,597	30,959	1,485	86,043
Effect of changes in exchange rates	(2,828)	(167)	-	(147)	-	(19)	(3,161)
Balance at June 30, 2012	<u>\$ 114,219</u>	<u>36,850</u>	<u>-</u>	<u>29,283</u>	<u>74,542</u>	<u>3,738</u>	<u>258,632</u>
Carrying value:							
January 1, 2013	<u>\$ 818,455</u>	<u>84,270</u>	<u>200,130</u>	<u>539,890</u>	<u>944,290</u>	<u>3,642</u>	<u>2,590,677</u>
June 30, 2013	<u>\$ 819,227</u>	<u>68,314</u>	<u>206,889</u>	<u>546,339</u>	<u>946,145</u>	<u>2,259</u>	<u>2,589,173</u>
January 1, 2012	<u>\$ 863,503</u>	<u>53,546</u>	<u>208,057</u>	<u>584,938</u>	<u>1,043,828</u>	<u>6,815</u>	<u>2,760,687</u>
June 30, 2012	<u>\$ 824,219</u>	<u>90,726</u>	<u>191,377</u>	<u>565,727</u>	<u>1,012,869</u>	<u>5,232</u>	<u>2,690,150</u>

(i) Short-term and long-term borrowings

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

i) Short-term borrowings

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Secured loans	\$ 481,920	495,312	657,800	757,250
Unsecured loans	<u>5,458,170</u>	<u>5,698,867</u>	<u>5,407,634</u>	<u>4,344,114</u>
Total	<u>\$ 5,940,090</u>	<u>6,194,179</u>	<u>6,065,434</u>	<u>5,101,364</u>

The interest rates of the Group's secured loans for the six-month periods ended June 30, 2013 and 2012, were 1.270% to 1.563% and 1.750%, respectively. The interest rates of the Group's unsecured loans for the six-month periods ended June 30, 2013 and 2012, ranged from 0.790% to 6.000% and from 0.950% to 6.310%, respectively. The terms of redemption are both within one year.

As of June 30, 2013, December 31, 2012, June 30, 2012, and January 1, 2012, the unused credit facilities of the Group's short-term borrowings amounted to \$16,299,449, \$14,637,292, \$9,435,479 and \$10,217,403, respectively.

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

ii) Short-term commercial paper payable

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Short-term commercial paper payable	\$ 250,000	350,000	400,000	250,000
Less: discount on short-term commercial paper payable	405	559	762	399
Total	<u>\$ 249,595</u>	<u>349,441</u>	<u>399,238</u>	<u>249,601</u>

The interest rates of the Group's short-term commercial paper payable for the six-month periods ended June 30, 2013 and 2012, ranged from 1.115% to 1.12% and from 1.12% to 1.20%, respectively.

iii) Long-term borrowings

	June 30, 2013	December 31, 2012	June 30, 2012	January 1, 2012
Secured loans	\$ 5,285,302	5,666,009	5,788,882	2,806,655
Unsecured loans	130,833	93,248	196,465	3,349,248
Less: current portion	<u>491,644</u>	<u>466,176</u>	<u>539,150</u>	<u>1,067,183</u>
Total	<u>\$ 4,924,491</u>	<u>5,293,081</u>	<u>5,446,197</u>	<u>5,088,720</u>

There were no material newly signed loan agreements during the six-month periods ended June 30, 2013 and 2012. As of June 30, 2013, the Group met the covenants of the syndicated loan. Please refer to the consolidated financial statements for the three-month period ended March 31, 2013, for the related information.

There was no significant increase in or repayment of long-term borrowings or financial lease liabilities, and the related information was provided in the consolidated financial statements for the three-month period ended March 31, 2013.

(j) Employee benefits

i) Defined benefit plans

Since there were no significant market fluctuations, curtailment, liquidation or other one-off events after the prior financial year ended, the Group adopted the pension cost rate from the actuarial valuation as of December 31 and January 1, 2012.

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

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

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Operating cost	\$ <u>2,162</u>	<u>2,067</u>	<u>4,314</u>	<u>4,166</u>
Operatine expenses	\$ <u>1,131</u>	<u>1,081</u>	<u>2,238</u>	<u>2,111</u>
Other revenues and expenses	\$ <u>271</u>	<u>281</u>	<u>576</u>	<u>582</u>

ii) Defined contribution plans

The Group made contributions, according to the defined contribution plans, to the Bureau of Labor Insurance and the local authorities of the consolidated overseas subsidiaries. The Group recognized pension costs of the defined contribution plans in profit or loss as follows:

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Operating cost	\$ <u>15,235</u>	<u>12,343</u>	<u>25,590</u>	<u>23,099</u>
Operating expenses	\$ <u>11,672</u>	<u>16,421</u>	<u>17,820</u>	<u>22,214</u>

(k) Income tax

The Group applies the estimated effective tax rate to pretax income of the interim reporting period, in order to measure and disclose the income tax expenses during the interim reporting period.

Income tax expense was best estimated by multiplying pretax income for the interim reporting period by the effective tax rate as forecasted by the management. As of June 30, 2013, the estimated effective tax rate does not differ from that as of March 31, 2013.

The components of income tax expense were as follows:

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Current tax expenses				
Current period	\$ 115,175	166,020	351,504	562,611
Adjustment for prior period	<u>(15,579)</u>	<u>485</u>	<u>(4,455)</u>	<u>485</u>
Income tax for continuing operation	\$ <u>99,596</u>	<u>166,505</u>	<u>347,049</u>	<u>563,096</u>

The Group's income tax returns have been examined and assessed by the tax authorities through 2011, except for those from 2008 to 2010.

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**TSRC CORPORATION AND SUBSIDIARIES**  
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The Group's balances of the imputation credit account were as follows:

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Balance of imputation credit account	\$ <u><b>658,990</b></u>	<u><b>326,272</b></u>	<u><b>731,355</b></u>	<u><b>369,144</b></u>

After the Group's income tax returns were examined and assessed by the tax authorities, the imputation tax credit ratios for the years 2012 and 2011 were 16.54% (estimated) and 11.32%, respectively.

The estimated imputation tax credit ratio for the year 2012 has been prepared in accordance with the draft of the amendment to Article 66-6 of the Income Tax Act. The amendment had not yet been passed by the Legislative Yuan as of the date of issuance of the consolidated financial statements.

The components of unappropriated earnings were as follows:

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Derived from year 1997 and prior years	\$ 1,637	1,637	1,637	1,637
Derived from year 1998 and thereafter	<u>2,872,085</u>	<u>3,984,165</u>	<u>2,983,506</u>	<u>6,356,551</u>
	<u><b>\$ 2,873,722</b></u>	<u><b>3,985,802</b></u>	<u><b>2,985,143</b></u>	<u><b>6,358,188</b></u>

Unappropriated retained earnings shown in the table above were prepared in accordance with the "Guidelines Governing the Preparation of Financial Reports by Securities Issuers" and the IFRSs endorsed by the FSC.

(l) Capital and other equity

Except as explained in the following paragraphs, there were no significant changes in the capital and other equity during the six-month periods ended June 30, 2013 and 2012. Please refer to the consolidated financial statements for the three-month period ended March 31, 2013, for the related information.

i) Retained earnings—earnings distribution

In accordance with TSRC's article of incorporation, the Group must retain 10% of its after-tax earnings as legal reserve (less deficits of prior years, if any), and then provide a special reserve. 50% of the remaining earnings should be distributed as follows:

- i. 97% is distributed as stockholders' dividends.
- ii. 1% is distributed as directors' and supervisors' emoluments.
- iii. 2% is distributed as employees' bonuses.

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.

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**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

For the three-month periods ended June 30, 2013 and 2012, and the six-month periods ended June 30, 2013 and 2012, the estimated amounts of employees' bonuses were \$12,459, \$10,868, \$20,959 and \$25,049, respectively, and the estimated amounts of directors' and supervisors' emoluments were \$5,360, \$5,433, \$10,480 and \$12,525, respectively. The information mentioned above was estimated by multiplying after tax income by the percentage of distribution of employees' bonuses and directors' and supervisors' emoluments, and recorded as operating cost or operating expenses in the respective periods.

For the years ended December 31, 2013 and 2012, the estimated amounts of employees' bonuses were \$42,157 and \$88,441, respectively, and the estimated amounts of directors' and supervisors' emoluments were \$21,078 and \$44,221, respectively. There were no differences in the information mentioned above from the actual payments. The related information can be obtained from the Market Observation Post System.

The appropriations of 2012 and 2011 earnings as dividends to stockholders that were approved by TSRC's stockholders during their meetings on June 18, 2013, and June 6, 2012, respectively, were as follows:

	<b>2012</b>		<b>2011</b>	
	<b>Amount per share (NT dollars)</b>	<b>Total Amount</b>	<b>Amount per share (NT dollars)</b>	<b>Total Amount</b>
Dividends distributed to common stockholders:				
Cash	\$ 2.60	2,044,615	5.00	3,574,502
Stock	-	-	1.00	714,900
Total		<u><u>\$ 2,044,615</u></u>		<u><u>4,289,402</u></u>

ii) Other equities

	<b>Foreign exchange differences arising from foreign operation</b>	<b>Available-for- sale investments</b>
January 1, 2013	\$ 688,778	(1,888)
Foreign exchange differences (net of tax)—The Group	359,135	-
Unrealized gains (losses) from available-for-sale investment—The Group	-	5,850
June 30, 2013	<u><u>\$ 1,047,913</u></u>	<u><u>3,962</u></u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	<b>Foreign exchange differences arising from foreign operation</b>	<b>Available-for- sale investments</b>
January 1, 2012	\$ 1,002,365	222,671
Foreign exchange differences (net of tax)— The Group	(183,466)	-
Unrealized gains (losses) from available-for-sale investment— The Group	-	(88,274)
June 30, 2012	<u><u>\$ 818,899</u></u>	<u><u>134,397</u></u>

(m) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share was as follows:

i) Basic earnings per share

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income attributable to common shareholders of the parent	<u><u>\$ 612,330</u></u>	<u><u>543,606</u></u>	<u><u>1,189,960</u></u>	<u><u>1,400,533</u></u>
Weighted-average number of common shares	<u><u>786,390</u></u>	<u><u>786,390</u></u>	<u><u>786,390</u></u>	<u><u>786,390</u></u>
Basic earnings per share (in NT dollars)	<u><u>\$ 0.78</u></u>	<u><u>0.69</u></u>	<u><u>1.51</u></u>	<u><u>1.78</u></u>

ii) Diluted earnings per share

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Net income attributable to common shareholders of the parent (diluted)	<u><u>\$ 612,330</u></u>	<u><u>543,606</u></u>	<u><u>1,189,990</u></u>	<u><u>1,400,533</u></u>
Weighted-average number of common shares (basic)	786,390	786,390	786,390	786,390
Impact of potential common shares				
Effect of employee stock bonus	<u>991</u>	<u>1,240</u>	<u>1,039</u>	<u>1,410</u>
Weighted-average number of common shares (diluted)	<u><u>787,381</u></u>	<u><u>787,630</u></u>	<u><u>787,429</u></u>	<u><u>787,800</u></u>
Diluted earnings per share (in NT dollars)	<u><u>\$ 0.78</u></u>	<u><u>0.69</u></u>	<u><u>1.51</u></u>	<u><u>1.78</u></u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(n) Other income and expenses

The components of the Group's other income and expenses were as follows:

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Rental income	\$ 19,733	19,767	33,845	34,526
Royalty income	22,987	49,691	22,987	50,074
Net service income (expenses)	12,648	36,270	12,648	36,270
Net compensation income (expenses)	945	(3,574)	2,675	2,695
Net other income (expenses)	<u>(9,562)</u>	<u>(134,260)</u>	<u>3,149</u>	<u>53,941</u>
	<u><b>\$ 46,751</b></u>	<u><b>(32,106)</b></u>	<u><b>75,304</b></u>	<u><b>177,506</b></u>

(o) Non-operating income and expenses

i) Other gains and losses

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Dividend income	\$ 16,971	16,971	16,971	16,971
Foreign exchange gain (loss), net	77,401	(59,008)	106,146	(68,331)
Gain (loss) on disposal of property, plant and equipment	508	(712)	993	(2,749)
Loss on disposal of investments, net	-	(9,933)	-	(9,933)
Depreciation of investment properties	(3,682)	(3,682)	(7,363)	(7,363)
Others	<u>(4,350)</u>	<u>22,964</u>	<u>(1,035)</u>	<u>8,873</u>
	<u><b>\$ 86,848</b></u>	<u><b>(33,400)</b></u>	<u><b>115,712</b></u>	<u><b>(62,532)</b></u>

ii) Finance costs

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Interest expenses	<u><b>\$ 45,035</b></u>	<u><b>62,232</b></u>	<u><b>88,296</b></u>	<u><b>125,170</b></u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(p) Reclassification of components of other comprehensive income

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

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Available-for-sale financial assets				
Net change in fair value	\$ (18,502)	(17,189)	5,850	(108,386)
Net change in fair value reclassified to profit or loss upon disposal	-	-	-	20,112
Net changes in fair value recognized in other comprehensive income	<u><u>\$ (18,502)</u></u>	<u><u>(17,189)</u></u>	<u><u>5,850</u></u>	<u><u>(88,274)</u></u>

(q) Financial instruments

Except as explained below, there were no significant changes in the Group's exposure to credit risk, currency risk and market risk due to financial instruments.

i) Credit risk — impairment loss

The Group's aging analysis of notes and accounts receivable was as follows:

	<b>Amount</b>	<b>Impairment</b>
<b>June 30, 2013</b>		
Not past due	\$ 4,928,349	-
Past due 0~30 days	55,761	145
Past due 30~120 days	5,055	-
Past due more than 120 days	49	-
	<u><u>\$ 4,989,214</u></u>	<u><u>145</u></u>
<b>December 31, 2012</b>		
Not past due	\$ 5,607,354	-
Past due 0~30 days	94,334	140
Past due 30~120 days	746	-
Past due more than 120 days	207	-
	<u><u>\$ 5,702,641</u></u>	<u><u>140</u></u>
<b>June 30, 2012</b>		
Not past due	\$ 7,277,204	-
Past due 0~30 days	73,224	523
Past due 30~120 days	26,352	13,178
Past due more than 120 days	38,868	14,017
	<u><u>\$ 7,415,648</u></u>	<u><u>27,718</u></u>

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**TSRC CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	Amount	Impairment
<b>January 1, 2012</b>		
Not past due	\$ 8,324,165	-
Past due 0~30 days	84,646	-
Past due 30~120 days	22,145	385
Past due more than 120 days	<u>144</u>	<u>144</u>
	<u><b>\$ 8,431,100</b></u>	<u><b>529</b></u>

ii) Currency risk

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

	Foreign currency	Exchange rate	NTD
<b>June 30, 2013</b>			
Financial assets:			
Monetary assets:			
USD	51,855	30.1200	1,561,866
EUR	7,365	38.9600	286,953
JPY	97,956	0.3017	29,553
CNY	3,572	4.8620	17,369
GBP	145	45.5700	6,624
Non-monetary assets:			
USD	39,981	30.1200	1,204,231
THB	175,877	0.9738	171,268
Financial liabilities:			
Monetary assets:			
USD	236,024	30.1200	7,109,403
EUR	6,313	38.9600	245,944
JPY	10,701	0.3017	3,228

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Foreign currency	Exchange Rate	NTD
<b>December 31, 2012</b>			
Financial assets:			
Monetary assets:			
USD	86,475	29.1360	2,519,536
EUR	32,595	38.2800	1,247,737
JPY	97,392	0.3345	32,578
CNY	54,747	4.6625	255,258
Non-monetary assets:			
USD	43,553	29.1360	1,268,962
THB	191,321	0.9535	182,425
Financial liabilities:			
Monetary assets:			
USD	207,790	29.1360	6,054,169
EUR	6,960	38.2800	266,429
JPY	44,667	0.3345	14,941
<b>June 30, 2012</b>			
Financial assets:			
Monetary assets:			
USD	87,581	29.9000	2,618,682
EUR	6,096	37.3800	227,883
JPY	39,912	0.3740	14,915
CNY	14,031	4.7055	66,025
Non-monetary assets:			
USD	43,768	29.9000	1,308,672
THB	322,085	0.9440	304,048
Financial liabilities:			
Monetary assets:			
USD	217,789	29.9000	6,511,877
EUR	3,849	37.3800	143,861
JPY	67,534	0.3740	25,237

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**TSRC CORPORATION AND SUBSIDIARIES**

**Notes to the Consolidated Financial Statements**

	Foreign currency	Exchange Rate	NTD
<b>January 1, 2012</b>			
Financial assets:			
Monetary assets:			
USD	74,279	30.2900	2,249,911
EUR	8,090	38.9900	315,429
JPY	150,363	0.3886	58,431
Non-monetary assets:			
USD	34,957	30.2900	1,058,858
THB	396,098	0.9647	382,116
Financial liabilities:			
Monetary assets:			
USD	153,203	30.2900	4,640,519
EUR	4,267	38.9900	166,370
JPY	245,535	0.3886	95,415

The Group's exposure to foreign currency risk arose from the foreign currency exchange gains and losses on cash and cash equivalents, accounts and other receivables, available-for-sale financial assets, loans and borrowings, and accounts and other payables that were denominated in foreign currency. A 1% appreciation (depreciation) of the NTD against the USD, Euro and the Yen as of June 30, 2013 and 2012, would have increased (decreased) the net income after tax by \$45,287 and \$31,154, respectively. The analysis was performed on the same basis for both periods.

iii) Fair value

The Group's management believes that the carrying value of the assets and liabilities measured at amortized cost in the consolidated financial statements is the estimated fair value.

(r) Financial risk management

The disclosures of objectives and policies of the Group's financial risk management were the same as those in the consolidated financial statements for the three-month period ended March 31, 2013.

(s) Capital management

The disclosures of objectives, policies and procedures of the Group's capital management were the same as those in the consolidated financial statements for the three-month period ended March 31, 2013. There were no material changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the three-month period ended March 31, 2013.

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**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(7) Related-party Transactions**

(a) Key management personnel transactions

The compensation to the key management personnel comprised the following:

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Short-term employee benefits	\$ 14,378	17,206	30,553	32,467
Post-employment benefits	<u>193</u>	<u>272</u>	<u>470</u>	<u>508</u>
	<u><b>\$ 14,571</b></u>	<u><b>17,478</b></u>	<u><b>31,023</b></u>	<u><b>32,975</b></u>

(b) Other related-party transactions

i) Purchases

The amounts of purchase transactions between the Group and related parties and the outstanding balances were as follows:

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Purchases:				
Nonconsolidated related parties	<u><b>\$ 58,049</b></u>	<u><b>322,254</b></u>	<u><b>361,956</b></u>	<u><b>850,004</b></u>
	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>

Payables to related parties:

Nonconsolidated related parties	<u><b>\$ 18,838</b></u>	<u><b>58,134</b></u>	<u><b>68,420</b></u>	<u><b>276,570</b></u>
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There were no significant differences between the pricing of purchase transactions with the related parties and other customers. The payment terms ranged from one to two months, which were similar to those of other suppliers.

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**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

ii) Providing services to related parties

The income from the Group providing storage services and other management services to the related parties were as follows:

	<b>Three-month periods ended June 30</b>		<b>Six-month periods ended June 30</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
Amount:				
Associates	\$ 71,465	22,328	78,358	32,852
Nonconsolidated related parties	<u>6,744</u>	<u>8,192</u>	<u>14,277</u>	<u>14,755</u>
	<u><b>\$ 78,209</b></u>	<u><b>30,520</b></u>	<u><b>92,635</b></u>	<u><b>47,607</b></u>
	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Other payables to related parties:				
Associates	\$ 14,125	15,240	22,555	18,128
Nonconsolidated related parties	<u>106</u>	<u>3,545</u>	<u>-</u>	<u>-</u>
	<u><b>\$ 14,231</b></u>	<u><b>18,785</b></u>	<u><b>22,555</b></u>	<u><b>18,128</b></u>

iii) Guarantees

The Group provided investees guarantees for their bank loans as follows:

	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Associates and joint ventures	<u><b>\$ 2,232,074</b></u>	<u><b>2,153,259</b></u>	<u><b>1,868,843</b></u>	<u><b>718,886</b></u>

**(8) Pledged Assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>June 30, 2013</b>	<b>December 31, 2012</b>	<b>June 30, 2012</b>	<b>January 1, 2012</b>
Property, plant and equipment	Guarantee for bank loans	\$ -	319,541	318,085	529,976
Long-term prepaid rent	Guarantee for bank loans	-	50,203	51,224	52,779
Restricted savings deposits	Deposit for enterprise safety production risk	13,542	5,927	5,972	5,755
		<u><b>\$ 13,542</b></u>	<u><b>375,671</b></u>	<u><b>375,281</b></u>	<u><b>588,510</b></u>

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**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

**(9) Significant Commitments and Contingencies**

As of June 30, 2013, December 31, 2012, June 30, 2012, and January 1, 2012, the Group's unused letters of credit issued for purchases of materials were \$992,495, \$1,643,162, \$2,394,283 and \$2,444,076, respectively.

**(10) Significant Losses from Calamity: None.**

**(11) Significant Subsequent Events: None.**

**(12) Others**

- (a) The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

By function By nature	Three-month period ended June 30, 2013			Three-month period ended June 30, 2012		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	158,200	132,189	290,389	161,823	104,536	266,359
Labor and health insurance	18,454	13,695	32,149	13,942	8,104	22,046
Pension	17,397	13,074	30,471	14,410	17,783	32,193
Others	30,001	16,158	46,159	30,647	18,566	49,213
Depreciation	173,069	69,454	242,523	153,807	40,738	194,545
Amortization	1,461	45,792	47,253	13,010	30,866	43,876

By function By nature	Six-month period ended June 30, 2013			Six-month period ended June 30, 2012		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	347,994	282,665	630,659	323,591	221,488	545,079
Labor and health insurance	34,366	25,367	59,733	26,976	15,878	42,854
Pension	29,904	20,634	50,538	27,265	24,907	52,172
Others	57,351	35,515	92,866	57,437	37,154	94,591
Depreciation	343,284	100,086	443,370	307,711	70,931	378,642
Amortization	2,070	91,970	94,040	13,663	72,380	86,043

- (b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (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 extended to other parties:

Unit: thousand dollars

No.	Name of lender	Name of borrower	Financial statement account	Highest balance of financing to other parties during the period	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	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		
1	TSRC (Shanghai) Industries Ltd.	TSRC (Jinan) Industries Ltd.	Loan	34,034	34,034	34,034	4%	2	-	Operating capital	-		-	- (Note 1)	- (Note 2)
2	Trimurti Holding Corporation	TSRC (Lux.) Corporation S.'a.r.l.	Loan	389,600	-	-	LIBOR+1%	2	-	Operating capital	-		-	1,034,376 (Note 4)	4,137,502 (Note 4)

- Note 1: The loan limit extended per party of TSRC (Shanghai) Industries Ltd. should not be over 5% of total equity. However, if the counterparty is a subsidiary 100.00% owned, directly or indirectly, by TSRC, there is no loan limit.
- 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 100.00% owned, directly or indirectly, by TSRC, there is no loan limit.
- Note 3: The loan limit extended per party of Trimurti Holding Corporation should not be over 10% of total equity of the most recent financial statements audited or reviewed by a CPA.
- Note 4: The total loan limit of Trimurti Holding Corporation should not be over 40% of total equity of the most recent financial statements audited or reviewed by a CPA.
- Note 5: TSRC (Shanghai) Industries Ltd., TSRC (Jinan) Industries Ltd., Trimurti Holding Corporation and TSRC (Lux) Corporation S.'a.r.l are 100.00% owned by TSRC.
- Note 6: Credit period: The limit of every financing period should not be over one year.
- Note 7: Nature of financial 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".
- Note 8: The transactions within the Group were eliminated in the consolidated financial statements.

##### ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

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 period	Ending balance of guarantees and endorsements	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 endorses / guarantees to third parties on behalf of subsidiary	Subsidiary endorses/ guarantees to third parties on behalf of parent company	Endorsements/ guarantees to third parties on behalf of the company in Mainland China
		Name	Relationship with company										
0	TSRC	TSRC (USA) Investment Corporation	3	(Note 2)	3,162,600	3,162,600	2,650,560	-	20.88 %	(Note 3)	Y		
0	TSRC	TSRC (Nantong) Industries Ltd.	3	(Note 2)	1,054,200	1,054,200	1,054,200	-	6.96 %	(Note 3)	Y		Y
0	TSRC	TSRC (Jinan) Industries Ltd.	3	(Note 2)	67,770	67,770	67,770	-	0.45 %	(Note 3)	Y		Y
0	TSRC	Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,229,078	1,229,078	1,066,280	-	8.12 %	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Limited	6	(Note 2)	1,002,996	1,002,996	1,002,996	-	6.62 %	(Note 3)			

- Note 1: The guarantee's relationship with the guarantor is as follows:  
 (1) Ordinary business relationship.  
 (2) A subsidiary whose common stock is more than fifty percent directly owned by the guarantor.  
 (3) An investee whose common stock is more than fifty percent owned by the parent company and its subsidiary in aggregate.  
 (4) The parent company owns, directly or indirectly via subsidiaries, more than fifty percent of the guarantor's common stock.  
 (5) A company in the same trade that is mutually guaranteed pursuant to the covenants of a construction contract upon contracting a project.  
 (6) A company that is guaranteed proportionately according to the guarantor's ownership percentage due to co-investment by various investors.
- Note 2: The guaranteed amount is limited at fifty-percent of paid-in capital, amounting to \$3,931,952 thousand.
- Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$22,718,220 thousand.
- Note 4: The transactions within the Group were eliminated in the consolidated financial statements.

##### iii) Information regarding securities held at balance sheet date:

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
TSRC	Stock: Trimurti Holding Corporation	Subsidiary	Long-term investment accounted for under equity method	86,920,000	10,328,539	100.00 %	10,343,756	(Note 1)
TSRC	Hardison International Corporation	Subsidiary	Long-term investment accounted for under equity method	3,896,305	542,336	100.00 %	542,336	
TSRC	Dymas Corporation	Subsidiary	Long-term investment accounted for under equity method	1,161,004	104,205	19.48 %	104,205	
TSRC	Taiwan Advanced Material Corp.	-	Long-term investment accounted for under equity method	72,000,000	714,216	48.00 %	714,216	
					<u>11,689,296</u>		<u>11,704,513</u>	

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
TSRC	Taiwan High Speed Rail Corporation	-	Available-for-sale financial assets — non-current	50,000,000	260,000	0.77 %	260,000	
TSRC	Evergreen Steel Corporation	-	Available-for-sale financial assets — non-current	12,148,000	229,160	2.97 %	229,160	
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Available-for-sale financial assets — non-current	599,999	62,395	5.42 %	62,395	
TSRC	Hsin-Yung Enterprise Corporation	-	Available-for-sale financial assets — non-current	5,657,000	240,355	3.90 %	240,355	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Available-for-sale financial assets — non-current	837,552	108,873	7.57 %	108,873	
					<u>900,783</u>		<u>900,783</u>	
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	105,830,000	6,953,784	100.00 %	6,951,071	
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	Investee accounted for under equity method	Long-term investment accounted for under equity method	77,850,000	2,567,814	100.00 %	2,567,814	
Trimurti Holding Corporation	Indian Synthetic Rubber Limited	Investee accounted for under equity method	Long-term investment accounted for under equity method	105,468,750	544,756	30.00 %	519,032	
TSRC (HONG KONG) Limited	TSRC (Shanghai) Industries Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	5,500,000	260,922	100.00 %	260,922	
TSRC (HONG KONG) Limited	TSRC (Jinan) Industries Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	2,250,000	(38,493)	100.00 %	(38,493)	
TSRC (HONG KONG) Limited	TSRC (Lux.) Corporation S.'a.r.l.	Investee accounted for under equity method	Long-term investment accounted for under equity method	50,800,000	2,270,960	100.00 %	2,270,960	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	Investee accounted for under equity method	Long-term investment accounted for under equity method	100	2,221,511	100.00 %	2,221,511	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	Investee accounted for under equity method	Long-term investment accounted for under equity method	100	4,792,124	100.00 %	2,327,792	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	69,125,000	2,864,665	100.00 %	2,864,665	
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Industries Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	22,000,000	921,824	55.00 %	921,824	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industries Co., Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	26,974,368	2,086,792	65.44 %	2,069,973	
Polybus Corporation Pte Ltd.	Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	12,400,000	290,079	50.00 %	275,005	
Hardison International Corporation	Triton International Holdings Corporation	Investee accounted for under equity method	Long-term investment accounted for under equity method	50,000	107,741	100.00 %	107,741	
Hardison International Corporation	Dymas Corporation	Investee accounted for under equity method	Long-term investment accounted for under equity method	4,798,566	430,730	80.52 %	430,730	(Note 1)
Hardison International Corporation	TSRC Biotech Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	3,020,210	5	100.00 %	5	
TSRC Biotech Ltd.	Pulse Metric Inc.	-	Available-for-sale financial assets — non-current	312,500	-	6.23 %	(Note 2)	
TSRC Biotech Ltd.	CytoPharm, Inc.	-	Available-for-sale financial assets — non-current	95,108	-	0.30 %	(Note 2)	
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	7,522,337	369,396	37.78 %	369,396	
Triton International Holdings Corporation	Nantong Qix Storage Co., Ltd.	Investee accounted for under equity method	Long-term investment accounted for under equity method	1,500,000	98,255	50.00 %	98,255	

Note 1: TSRC directly owns 19.48% of the company's equity and indirectly owns 80.52% via Hardison International Corporation.

Note 2: The securities were written down due to impairment loss.

Note 3: The transactions within the Group were eliminated in the consolidated financial statements.

- iv) Accumulated holding amount of a single security in excess of \$100 million or 20% of TSRC's issued share capital: None.
- v) Acquisition of real estate in excess of \$100 million or 20% of TSRC's issued share capital: None.
- vi) Disposal of real estate in excess of \$100 million or 20% of TSRC's issued share capital: None.

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

vii) Sales to and purchases from related parties in excess of \$100 million or 20% of TSRC's issued share capital:

Unit: thousand dollars

Name of Company	Counter-party	Relationship	Transaction details				The 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)	
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	242,534	4.92 %	14 days	-		-	- %	
TSRC-UBE (Nantong) Industries Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd.	Purchase	119,422	10.96 %	14 days	-		(18,838)	(29.00) %	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	346,223	74.22 %	40 days	-		(145,979)	(74.00) %	
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(346,223)	(20.00) %	40 days	-		145,979	30.00 %	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	859,964	100.00 %	30 days	-		(175,573)	(100.00)%	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(859,964)	(32.30) %	30 days	-		175,573	39.00 %	

Note 1: The transactions within the Group were eliminated in the consolidated financial statements.

viii) Receivables from related parties in excess of \$100 million or 20% of TSRC's issued share capital:

Unit: thousand dollars

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate	Overdue amount		Amounts received in subsequent period	Allowances for bad debts
					Amount	Action taken		
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties	145,979	4.54	-		-	-
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	175,573	11.91	-		82,364	-

Note 1: The transactions within the Group were eliminated in the consolidated financial statements.

ix) Financial derivative instruments transactions: None.

x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Sales revenue	48,188	The transaction is not significantly different from normal transactions, and the terms were about two months	0.25 %
0	TSRC	Polybus Corporation Pte Ltd	1	Sales revenue	68,531	"	0.35 %
0	TSRC	Polybus Corporation Pte Ltd	1	Accounts receivable	48,638	"	0.14 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3	Sales revenue	38,655	"	0.20 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd	3	Sales revenue	346,223	"	1.79 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd	3	Accounts receivable	145,979	"	0.41 %
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Other income	83,884	"	0.44 %
2	Dexco Polymers LP	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	859,964	"	4.46 %
2	Dexco Polymers LP	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	175,573	"	0.49 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Note 4	1,054,200	-	-
0	TSRC	TSRC (Jinan) Industries Ltd.	1	"	67,770	-	-

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	TSRC	TSRC (USA) Investment Corporation	1	Note 4	2,650,560	-	-
1	TSRC (Nantong) Industries Ltd.	TSRC	2	Purchases	48,188	"	0.25 %
3	Polybus Corporation Pte Ltd	TSRC	2	Purchases	68,531	"	0.35 %
3	Polybus Corporation Pte Ltd	TSRC	2	Accounts payable	48,638	"	0.14 %
3	Polybus Corporation Pte Ltd	TSRC (Nantong) Industries Ltd.	3	Purchases	346,223	"	1.79 %
3	Polybus Corporation Pte Ltd	TSRC (Nantong) Industries Ltd.	3	Accounts payable	145,979	"	0.41 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Purchases	38,655	"	0.20 %
5	TSRC-UBE (Nantong) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	General and administrative expenses	83,884	"	0.44 %
6	TSRC (Lux.) Corporation S.'a.r.l	Dexco Polymers LP	3	Purchases	859,964	"	4.46 %
6	TSRC (Lux.) Corporation S.'a.r.l	Dexco Polymers LP	3	Accounts payable	175,573	"	0.49 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other current liabilities	54,440	-	0.15 %
1	TSRC (Nantong) Industries Ltd.	TSRC	2	Construction-in-progress	54,440	-	0.15 %

Note 1: Company numbering is as follows:

- (1) Parent company - 0.
- (2) Subsidiary starts from 1.

Note 2: 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 sidstream transactions.

Note 3: 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.

Note 4: TSRC's guarantees for bank loans of investees.

(b) Information on investees:

The following is the information on investees for the six-month period ended June 30, 2013:

Unit: thousand dollars											
Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				June 30, 2013	June 30, 2012	Shares	Ratio of shares	Book value			
TSRC	Trimurti Holding Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	1,005,495	1,005,495	86,920,000	100.00 %	10,328,539	477,398	478,312	Subsidiary
TSRC	Hardison International Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	109,442	125,142	3,896,305	100.00 %	542,336	52,319	52,319	Subsidiary
TSRC	Dymas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	38,376	42,170	1,161,004	19.48 %	104,205	63,355	12,341	Subsidiary
TSRC	Taiwan Advanced Material Corp.	26F-2, No. 8, Minquan 2nd Rd., Qianzhen Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of synthetic rubber products	720,000	720,000	72,000,000	48.00 %	714,216	(5,070)	(2,434)	-
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	9, Temasek Boulevard, 31F Suntec Tower 2, Singapore 038989	International commerce and investment corporation	1,960,842 (USD65,101)	1,960,842 (USD65,101)	105,830,000	100.00 %	6,953,784	505,825	505,825	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	Suite 2303, 23F, Great Eagle Centre, 23 Harbour Road, Wanchai, HK	Investment corporation	2,344,842 (USD77,850)	2,344,842 (USD77,850)	77,850,000	100.00 %	2,567,814	2,421	2,421	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi 110016, India	Production and sale of synthetic rubber products	632,219 (USD20,990)	632,219 (USD20,990)	105,468,750	30.00 %	544,756	(11,301)	(5,630)	Indirectly owned subsidiary
TSRC (Hong Kong) Limited	TSRC (Shanghai) Industries Ltd.	No. 1406, Yushu, Road, Song Jiang Zone, Shanghai, China	Production and sale of reengineering plastic, plastic compound metal and plastic elasticity engineering products	165,660 (USD5,500)	165,660 (USD5,500)	5,500,000	100.00 %	260,922	18,513	18,513	Indirectly owned subsidiary
TSRC (Hong Kong) Limited	TSRC (Jinan) Industries Ltd.	No. 666 LinGang St. Yao Qiang Town, Li Cheng Zone, Jinan City, Shan Dong, PRC	Production and sale of reengineering plastic, plastic compound metal and plastic elasticity engineering products	67,770 (USD2,250)	67,770 (USD2,250)	2,250,000	100.00 %	(38,493)	1,523	1,523	Indirectly owned subsidiary
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.a.r.l	34-36 Avenue de la Liberté, L-1930, Luxembourg	International commerce and investment corporation	1,979,168 (EUR50,800)	1,979,168 (EUR50,800)	50,800,000	100.00 %	2,270,960	(16,871)	(16,871)	Indirectly owned subsidiary

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				June 30, 2013	June 30, 2012	Shares	Ratio of shares	Book value			
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, 19808.	Investment corporation	2,109,906 (USD70,050)	2,109,906 (USD70,050)	100	100.00 %	2,221,511	(11,276)	(11,276)	Indirectly owned subsidiary
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston, TX77079	Production and sale of synthetic rubber products	5,801,624 (USD192,617)	5,801,624 (USD192,617)	100	100.00 %	4,792,124	113,604	30,049	Indirectly owned subsidiary
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	No. 22 Tong Wang Road, Nantong Economic & Technological Development Zone, Nantong, Jiangsu, China	Production and sale of synthetic rubber products	2,082,045 (USD69,125)	2,082,045 (USD69,125)	69,125,000	100.00 %	2,864,665	237,075	237,075	Indirectly owned subsidiary
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Industries Ltd.	No. 22 Tong Wang Road, Nantong Economic & Technological Development Zone, Nantong, Jiangsu, China	Production and sale of synthetic rubber products	662,640 (USD22,000)	662,640 (USD22,000)	22,000,000	55.00 %	921,824	30,959	17,027	Indirectly owned subsidiary
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industries Co., Ltd.	Shen Hua Road, Economic and Technological Development Zone, Nantong, Jiangsu Province	Production and sale of synthetic rubber products	598,394 (USD19,867)	598,394 (USD19,867)	26,974,368	65.44 %	2,086,792	538,982	352,710	Indirectly owned subsidiary
Polybus Corporation Pte Ltd.	Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	Shen Hua Road, Economic and Technological Development Zone, Nantong, Jiangsu Province	Production and sale of NRB	373,488 (USD12,400)	373,488 (USD12,400)	12,400,000	50.00 %	290,079	(154,541)	(80,012)	Indirectly owned subsidiary
Hardison International Corporation	Triton International Holdings Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I	Investment corporation	1,506 (USD50)	1,506 (USD50)	50,000	100.00 %	107,741	1,504	1,504	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I	Investment corporation	144,546 (USD4,799)	144,546 (USD4,799)	4,798,566	80.52 %	430,730	63,355	51,013	Indirectly owned subsidiary
Hardison International Corporation	TSRC Biotech Ltd	4th F1., Harbour Centre, P.O. BOX 613, George Town, Grand Cayman	Investment corporation	90,962 (USD3,020)	90,962 (USD3,020)	3,020,210	100.00 %	5	-	-	Indirectly owned subsidiary
Triton International Holdings Corporation	Nantong Qix Storage Co., Ltd.	No. 111 He Xing Road, Nantong Economic & Technological Development Zone, Nantong, Jiangsu, China	Storehouse for chemicals	45,180 (USD1,500)	45,180 (USD1,500)	1,500,000	50.00 %	98,255	3,027	1,514	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	339,904 (USD11,285)	339,904 (USD11,285)	7,522,337	37.78 %	369,396	167,839	63,410	Indirectly owned subsidiary

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.12)

(c) Information on investment in Mainland China:

i) Information on investment in Mainland China:

Unit: thousand dollars											
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, 2012	Investment flow during current period		Cumulative investment (amount) from Taiwan as of June 30, 2013	Direct / indirect investment holding percentage	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount					
Shen Hua Chemical Industries Co., Ltd.	Production and sale of synthetic rubber products	1,241,546 (USD41,220)	(2)	-	-	-	-	65.44 %	352,710	2,086,792	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sales of electricity and steam	695,772 (USD23,100)	(2)	115,430 (USD3,832)	-	-	115,430 (USD3,832)	28.34 %	63,410	369,396	-
TSRC (Shanghai) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal and plastic elasticity engineering products	165,660 (USD5,500)	(2)	118,070 (USD3,920)	-	-	118,070 (USD3,920)	100.00%	18,513	260,922	-
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	90,360 (USD3,000)	(2)	45,180 (USD1,500)	-	-	45,180 (USD1,500)	50.00 %	1,514	98,255	-
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,204,800 (USD40,000)	(2)	30,120 (USD1,000)	-	-	30,120 (USD1,000)	55.00 %	17,027	921,824	-
TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	2,082,045 (USD69,125)	(2)	200,238 (USD6,648)	-	-	200,238 (USD6,648)	100.00%	237,075	2,864,665	-
TSRC (Jinan) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal and plastic elasticity engineering products	67,770 (USD2,250)	(2)	67,770 (USD2,250)	-	-	67,770 (USD2,250)	100.00%	1,523	(38,493)	-
Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NRB	746,976 (USD24,800)	(2)	-	-	-	-	50.00 %	(80,012)	290,079	-

Note 1: 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.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

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**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount remitted from Taiwan to Mainland China as of June 30, 2013	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	576,809 (USD19,150)	4,257,021 (USD141,335) (Note 2)	- (Note 1)

Note 1: 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, TSRC 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 November 1, 2012. As it has an operational headquarters status, TSRC is not subject to the limitation as to the amount of investment in Mainland China as of June 30, 2013.

Note 2: This amount includes capital increase out of earnings, approved by the Investment Commission, MOEA.

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.12).

iii) Significant transactions with investees in Mainland China:

Related information is provided in note 13(a).

**(14) Segment information**

The Group's operating segment information and reconciliation were as follows:

	Synthetic rubber services department	Non-synthetic rubber services department	Others	Adjustments or elimination	Total
<b>Three-month period ended June 30, 2013</b>					
Revenue:					
Revenue from external customers	\$ 8,984,766	179,923	10,925	-	9,175,614
Inter-segment revenue	632,149	1,834	-	(633,983)	-
<b>Total Revenue</b>	<b>\$ 9,616,915</b>	<b>181,757</b>	<b>10,925</b>	<b>(633,983)</b>	<b>9,175,614</b>
<b>Income from operation</b>	<b>\$ 838,140</b>	<b>12,242</b>	<b>69,138</b>	<b>(158,744)</b>	<b>760,776</b>
<b>Three-month period ended June 30, 2012</b>					
Revenue:					
Revenue from external customers	\$ 12,055,079	248,130	14,089	-	12,317,298
Inter-segment revenue	879,958	13,879	-	(893,837)	-
<b>Total Revenue</b>	<b>\$ 12,935,037</b>	<b>262,009</b>	<b>14,089</b>	<b>(893,837)</b>	<b>12,317,298</b>
<b>Income from operation</b>	<b>\$ 896,119</b>	<b>10,802</b>	<b>(7,514)</b>	<b>(108,269)</b>	<b>791,138</b>

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**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

	Synthetic rubber services department	Non-synthetic rubber services department	Others	Adjustments or elimination	Total
<b>Six-month period ended June 30, 2013</b>					
Revenue:					
Revenue from external customers	\$ 18,888,203	366,185	23,244	-	19,277,632
Inter-segment revenue	<u>1,396,037</u>	<u>3,782</u>	<u>-</u>	<u>(1,399,819)</u>	<u>-</u>
<b>Total Revenue</b>	<b><u>\$ 20,284,240</u></b>	<b><u>369,967</u></b>	<b><u>23,244</u></b>	<b><u>(1,399,819)</u></b>	<b><u>19,277,632</u></b>
<b>Income from operation</b>	<b><u>\$ 2,169,661</u></b>	<b><u>20,641</u></b>	<b><u>108,648</u></b>	<b><u>(560,224)</u></b>	<b><u>1,738,726</u></b>
<b>Six-month period ended June 30, 2012</b>					
Revenue:					
Revenue from external customers	\$ 23,704,308	403,230	24,365	-	24,131,903
Inter-segment revenue	<u>1,722,416</u>	<u>14,774</u>	<u>-</u>	<u>(1,737,190)</u>	<u>-</u>
<b>Total Revenue</b>	<b><u>\$ 25,426,724</u></b>	<b><u>418,004</u></b>	<b><u>24,365</u></b>	<b><u>(1,737,190)</u></b>	<b><u>24,131,903</u></b>
<b>Income from operations</b>	<b><u>\$ 3,049,728</u></b>	<b><u>20,159</u></b>	<b><u>21,835</u></b>	<b><u>(793,478)</u></b>	<b><u>2,298,244</u></b>

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 does not include total segment information, and hence does not disclose the Group's total assets.

**(15) First-time adoption of IFRSs**

The consolidated financial statements as of December 31, 2012, were prepared according to the previous ROC GAAP. As explained in note 4(a), the reporting period of these consolidated financial statements was within the reporting period of the first annual consolidated financial statements prepared in accordance with the "Regulations Governing the Preparation of Financial Statements by Securities Issuers" and the IFRSs endorsed by the FSC, and are in accordance with IFRS 1 "First-Time Adoption of International Financial Reporting Standards" (endorsed by the FSC).

The accounting policies described in note 4 were applied in preparing the consolidated financial statements for the six-month period ended June 30, 2012, the consolidated balance sheet as of December 31, 2012, and the opening consolidated balance sheet in accordance with IFRSs as of January 1, 2012 (the Group's date of adoption of IFRSs).

When preparing the related financial statements of 2012, the Group converted the amounts in the financial statements prepared in accordance with the previous ROC GAAP to amounts in conformity with IFRSs endorsed by the FSC. Below are the adjustment and related description of the balance sheet and statements of comprehensive income and of cash flows due to conversion. The reconciliation information for the consolidated balance sheets as of December 31 and January 1, 2012 (the Group's date of conversion to IFRSs) and the consolidated statement of comprehensive income for the year ended December 31, 2012, was provided in the consolidated financial statements for the three-month period ended March 31, 2013.

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**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(a) Reconciliation for consolidated balance sheet

		<b>June 30, 2012</b>	
	<b>ROC GAAP</b>	<b>Difference</b>	<b>IFRSs</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 5,888,422	-	5,888,422
Notes receivable	1,759,458	-	1,759,458
Accounts receivable	5,628,472	-	5,628,472
Inventories	7,423,520	-	7,423,520
Other financial assets — current	278,720	-	278,720
Other current assets	<u>462,590</u>	<u>(74,137)</u>	<u>388,453</u>
Total current assets	<u>21,441,182</u>	<u>(74,137)</u>	<u>21,367,045</u>
<b>Other investments (including derivatives):</b>			
Investments accounted for under equity method	1,978,075	48,273	2,026,348
Available-for-sale financial assets — non-current	-	1,030,798	1,030,798
Financial assets carried at cost — non-current	896,401	(896,401)	-
Property, plant and equipment	8,894,166	201,665	9,095,831
Investment property	-	1,692,037	1,692,037
Intangible assets	3,301,187	(611,037)	2,690,150
Idle assets	120,221	(120,221)	-
Deferred income tax assets	40,364	141,735	182,099
Other non-current assets	<u>1,923,213</u>	<u>(1,263,404)</u>	<u>659,809</u>
Total non-current assets	<u>17,153,627</u>	<u>223,445</u>	<u>17,377,072</u>
Total assets	<u><u>\$ 38,594,809</u></u>	<u><u>149,308</u></u>	<u><u>38,744,117</u></u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

		<b>June 30, 2012</b>	
	<b>ROC GAAP</b>	<b>Difference</b>	<b>IFRSs</b>
Liabilities			
Short-term borrowings	\$ 6,464,672	-	6,464,672
Current portion of long-term borrowings	539,150	-	539,150
Notes and accounts payable	1,864,708	-	1,864,708
Accounts payable—related parties	68,420	-	68,420
Dividends payable	4,330,975	-	4,330,975
Current income tax liabilities	394,020	8,934	402,954
Other current liabilities	<u>862,262</u>	<u>-</u>	<u>862,262</u>
Total current liabilities	<u>14,524,207</u>	<u>8,934</u>	<u>14,533,141</u>
Long-term borrowings	5,446,197	-	5,446,197
Reserve for land revaluation increment tax	56,683	(56,683)	-
Deferred income tax liabilities	1,306,016	(53,221)	1,252,795
Other non-current liabilities	<u>498,526</u>	<u>143,042</u>	<u>641,568</u>
Total non-current liabilities	<u>7,307,422</u>	<u>33,138</u>	<u>7,340,560</u>
Total liabilities	<u>21,831,629</u>	<u>42,072</u>	<u>21,873,701</u>
Equity attributable to shareholders of the parent			
Common stock	7,863,904	-	7,863,904
Capital surplus	69,003	(68,154)	849
Retained earnings	5,989,529	3,319	5,992,848
Other equity	<u>781,225</u>	<u>172,071</u>	<u>953,296</u>
Total shareholders' equity	14,703,661	107,236	14,810,897
Non-controlling interest	<u>2,059,519</u>	<u>-</u>	<u>2,059,519</u>
Total equity	<u>16,763,180</u>	<u>107,236</u>	<u>16,870,416</u>
Total liabilities and shareholders' equity	<u><u>\$ 38,594,809</u></u>	<u><u>149,308</u></u>	<u><u>38,744,117</u></u>

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(b) Reconciliation for consolidated statements of comprehensive income

	Three-month period ended June 30, 2012			Six-month period ended June 30, 2012		
	ROC GAAP	Difference	IFRSs	ROC GAAP	Difference	IFRSs
Operating revenue	\$ 12,317,298	-	12,317,298	24,131,903	-	24,131,903
Operating cost	<u>10,906,681</u>	<u>-</u>	<u>10,906,681</u>	<u>20,768,106</u>	<u>-</u>	<u>20,768,106</u>
Gross profit	<u>1,410,617</u>	<u>-</u>	<u>1,410,617</u>	<u>3,363,797</u>	<u>-</u>	<u>3,363,797</u>
Operating expenses						
Selling expenses	248,363	16,432	264,795	492,233	30,959	523,192
General and administrative expenses	201,565	2,541	204,106	464,910	3,575	468,485
Research and development expenses	<u>82,718</u>	<u>-</u>	<u>82,718</u>	<u>137,675</u>	<u>-</u>	<u>137,675</u>
Total operating expenses	<u>532,646</u>	<u>18,973</u>	<u>551,619</u>	<u>1,094,818</u>	<u>34,534</u>	<u>1,129,352</u>
Other revenues and expenses	<u>(32,106)</u>	<u>-</u>	<u>(32,106)</u>	<u>177,506</u>	<u>-</u>	<u>177,506</u>
Operating profit	845,865	(18,973)	826,892	2,446,485	(34,534)	2,411,951
Non-operating income and expenses:						
Interest income	22,719	(775)	21,944	45,058	1,618	46,676
Finance costs	(62,232)	-	(62,232)	(125,170)	-	(125,170)
Other gains and losses	(38,589)	5,189	(33,400)	(71,403)	8,871	(62,532)
Share of profit (loss) of associates and joint ventures accounted for under equity method	<u>37,159</u>	<u>775</u>	<u>37,934</u>	<u>28,937</u>	<u>(1,618)</u>	<u>27,319</u>
Consolidated net income	804,922	(13,784)	791,138	2,323,907	(25,663)	2,298,244
Income tax expenses	<u>254,629</u>	<u>(88,124)</u>	<u>166,505</u>	<u>695,113</u>	<u>(132,017)</u>	<u>563,096</u>
Consolidated net income for the period	<u>550,293</u>	<u>74,340</u>	<u>624,633</u>	<u>1,628,794</u>	<u>106,354</u>	<u>1,735,148</u>
Other comprehensive income (loss):						
Financial statement translation differences for foreign operations	94,423	-	94,423	(228,831)	-	(228,831)
Unrealized gain (loss) on valuation of available-for sale financial assets	-	(17,189)	(17,189)	-	(88,274)	(88,274)
Income tax relating to components of other comprehensive income (loss)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other comprehensive income (loss) after tax	<u>94,423</u>	<u>(17,189)</u>	<u>77,234</u>	<u>(228,831)</u>	<u>(88,274)</u>	<u>(317,105)</u>
Total comprehensive income (loss)	<u>\$ 644,716</u>	<u>57,151</u>	<u>701,867</u>	<u>1,399,963</u>	<u>18,080</u>	<u>1,418,043</u>
Consolidated net income attributable to:						
Shareholders of the parent	\$ 469,266	74,340	543,606	1,294,179	106,354	1,400,533
Non-controlling interests	<u>81,027</u>	<u>-</u>	<u>81,027</u>	<u>334,615</u>	<u>-</u>	<u>334,615</u>
Consolidated net income	<u>\$ 550,293</u>	<u>74,340</u>	<u>624,633</u>	<u>1,628,794</u>	<u>106,354</u>	<u>1,735,148</u>
Total comprehensive income (loss) attributable to:						
Shareholders of the parent	\$ 526,642	57,151	583,793	1,110,713	18,080	1,128,793
Non-controlling interests	<u>118,074</u>	<u>-</u>	<u>118,074</u>	<u>289,250</u>	<u>-</u>	<u>289,250</u>
Total comprehensive income (loss) for the period	<u>\$ 644,716</u>	<u>57,151</u>	<u>701,867</u>	<u>1,399,963</u>	<u>18,080</u>	<u>1,418,043</u>
Earnings per share						
Continuing operations						
Basic earnings per share (in NT dollars)	<u>\$ 0.60</u>	<u>0.09</u>	<u>0.69</u>	<u>1.65</u>	<u>0.13</u>	<u>1.78</u>
Diluted earnings per share (in NT dollars)	<u>\$ 0.60</u>	<u>0.09</u>	<u>0.69</u>	<u>1.65</u>	<u>0.13</u>	<u>1.78</u>

(c) Significant adjustments for statement of cash flows

There was no significant difference between the consolidated financial statements prepared in accordance with the IFRSs endorsed by FSC and those prepared in accordance with the previous ROC GAAP.

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

(d) Notes for the reconciliations

- i) Under ROC GAAP, when an investee issues new shares and its investor does not increase the investment proportionately, the resulting changes in net equity are recognized under capital surplus. Upon conversion to the IFRSs endorsed by the FSC, the Group should retrospectively adjust such changes. If such changes cannot be computed in practice, the Group may reclassify the amount previously recognized under capital surplus in accordance to ROC GAAP to retained earnings. As of June 30, 2012, the Group reclassified related capital surplus amounting to \$68,154 to retained earnings.
- ii) The stock investments held by the Group for which there were no publicly quoted market values in an active market are measured at cost in accordance with the previous ROC GAAP. When the Group changed its accounting principles to the IFRSs endorsed by the FSC, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement", the Group changed the measuring of financial assets carried at cost to measuring at fair value, and reclassified such investments to available-for-sale financial assets — non-current.

A summary of the effects resulting from the aforementioned changes is as follows:

	<b>Three-month period ended June 30, 2012</b>	<b>Six-month period ended June 30, 2012</b>
Consolidated statements of comprehensive income		
Unrealized gain (loss) on valuation of available-for-sale financial assets	\$ (17,189)	(108,386)
Unrealized gain (loss) on valuation of available-for-sale financial assets reclassified to net income	-	20,112
Adjustments before tax	<u><u>\$ (17,189)</u></u>	<u><u>(88,274)</u></u>
	<b>June 30, 2012</b>	
Consolidated balance sheet		
Available-for-sale financial assets	\$ 1,030,798	
Financial assets carried at cost	(896,401)	
Other comprehensive income	<u>(134,397)</u>	
Adjustment to retained earnings	<u><u>\$ -</u></u>	

- iii) Under the regulations, the Group recorded the provision for reserve for land revaluation increment tax and unrealized increment from revaluation as other liabilities and other adjustment under shareholders' equity. Upon transitioning to the IFRSs endorsed by the FSC, the Group elected the exemption for deemed costs. In accordance with IAS 12 "Income Tax" and IAS 16 "Property, Plant and Equipment", the Group reclassified the reserve for land revaluation increment tax and unrealized increment from revaluation as deferred income tax liabilities — non-current and retained earnings, respectively, amounting to \$56,683 and \$7,266, respectively, as of June 30, 2012.

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- iv) In accordance with the previous ROC GAAP, the Group recorded the rental assets and idle assets as other assets. When transitioning to the IFRSs endorsed by the FSC, the Group chose to apply the exemption, and reclassified the assets mentioned above to property, plant and equipment and investment property, respectively, in accordance with IAS 16 "Property, Plant and Equipment" and IAS 40 "Investment Property".

A summary of the effects resulting from the aforementioned changes is as follows:

**June 30, 2012**

Consolidated balance sheet

Reclassification to investment properties	\$ 1,692,037
Reclassification to property, plant and equipment	<u>201,665</u>
Originally recorded as other assets	<u><u>\$ 1,893,702</u></u>

In addition, the depreciation expenses for the assets mentioned above were recorded as non-operating gain and loss, amounting to \$5,189 and \$8,871, for the three-month period ended June 30, 2012, and six-month period ended June 30, 2012, respectively, were reclassified to operating expenses when transitioning to the IFRSs endorsed by the FSC.

- v) In accordance with the previous ROC GAAP, the land use rights were recorded as intangible assets. When transitioning to the IFRSs endorsed by the FSC, the land use rights were reclassified to other assets in accordance with their nature, and the balance as of June 30, 2012, was \$510,077.
- vi) The Group recorded the unidentifiable premium from acquisition as goodwill in accordance with the previous ROC GAAP. Upon transitioning to the IFRSs endorsed by the FSC, the Group should allocate a portion of the acquisition premium to customer relationship in accordance with IFRS 3 "Business Combination", and retrospectively adjust to the acquisition date.

A summary of the effects resulting from the aforementioned changes is as follows:

	<b>Three-month period ended June 30, 2012</b>	<b>Six-month period ended June 30, 2012</b>
Consolidated statements of comprehensive income		
Selling expenses:		
Amortization of customer relationship	\$ <u>16,432</u>	<u>30,959</u>
Adjustments before tax	<u><u>\$ 16,432</u></u>	<u><u>30,959</u></u>
	<b>June 30, 2012</b>	
Consolidated balance sheet		
Customer relationship	\$ (74,542)	
Tax effect	<u>12,672</u>	
Adjustment to retained earnings	<u><u>\$ (61,870)</u></u>	

(Continued)

**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- vii) According to the previous ROC GAAP, it was unnecessary to recognize the amount of financial guarantee contracts provided for the associates and the joint ventures. When transitioning to the IFRSs endorsed by the FSC, the Group should measure the financial guarantee contracts at fair value, in accordance with IAS 39 "Financial Instruments: Recognition and Measurement". The amount increased the investments accounted for under the equity method and other liabilities by \$48,273, and the interest income and the investment loss accounted for under the equity method were increased by \$755 and \$1,618, for the three-month period ended June 30, 2012, and six-month period ended June 30, 2012, respectively.
- viii) In accordance with the IFRSs endorsed by the FSC, the Group recognizes all actuarial gains and losses under other comprehensive income. Under the previous ROC GAAP, the Group recognized actuarial gains and losses as gains and losses over the employee's remaining period of service. Upon the date of transitioning to IFRSs, all previous unrecognized accumulated actuarial gains and losses are recognized under retained earnings and reversed in the comprehensive income statement of prior years.

A summary of the effects resulting from the aforementioned changes is as follows:

	<b>Three-month period ended June 30, 2012</b>	<b>Six-month period ended June 30, 2012</b>
Consolidated statements of comprehensive income		
General and administrative expenses	\$ (2,648)	(5,296)
Adjustments before tax	<u>\$ (2,648)</u>	<u>(5,296)</u>
	<b>June 30, 2012</b>	
Consolidated balance sheet		
Employee benefits	\$ (166,127)	
Tax effect	<u>28,242</u>	
Adjustment to retained earnings	<u>\$ (137,885)</u>	

- ix) In accordance with the previous ROC GAAP, deferred income tax assets and liabilities were classified to current and non-current by nature, and reported in net amount. When transitioning to the IFRSs endorsed by the FSC, all of the deferred income tax assets and liabilities should be reclassified to non-current in accordance with IAS 12 "Income Tax".

A summary of the effects resulting from the aforementioned changes is as follows:

	<b>June 30, 2012</b>
Consolidated balance sheet	
Deferred income tax assets — current	\$ (74,137)
Deferred income tax assets — non-current	113,493
Deferred income tax liabilities — non-current	<u>(39,356)</u>
Adjustment to retained earnings	<u>\$ -</u>

(Continued)



**TSRC CORPORATION AND SUBSIDIARIES**  
**Notes to the Consolidated Financial Statements**

- x) When transitioning to the IFRSs endorsed by the FSC, the income tax of the interim financial statements should be estimated using the effective tax rate, in accordance with IAS 12 "Income Tax" and IAS 34 "Interim Financial Reporting". After re-calculating using the effective tax rate, the income tax expense for the half-year ended June 30, 2012, should be reduced by \$127,654, and the deferred income tax liabilities and current income tax liabilities should be reduced by \$136,588 and \$8,934, respectively.
- xi) The changes in deferred income tax assets and liabilities due to the transitions mentioned above were as follows:

	<b>June 30, 2012</b>
Employee benefits	\$ 28,242
Gross amount of deferred income tax assets and liabilities	<u>113,493</u>
Increase in deferred income tax assets	<u><b>\$ 141,735</b></u>
	<b>June 30, 2012</b>
Reserve for land revaluation increment tax	\$ 56,683
Customer relationship	(12,672)
Gross amount of deferred income tax assets and liabilities	39,356
Adjustment of effective tax rate	<u>(136,588)</u>
Decrease in deferred income tax liabilities	<u><b>\$ (53,221)</b></u>

The effect on the consolidated statements of comprehensive income for the three-month and six-month periods ended June 30, 2012, was a reduction of the income tax expenses by \$88,124 and \$132,017, respectively.

- xii) The decrease (increase) in retained earnings in relation to the changes mentioned above were as follows:

	<b>June 30, 2012</b>
Reclassification of other equity	\$ 68,154
Reclassification of revaluation gains	7,266
Customer relationship	(61,870)
Employee benefits	(137,885)
Adjustment of effective tax rate	<u>127,654</u>
Decrease in retained earnings	<u><b>\$ 3,319</b></u>