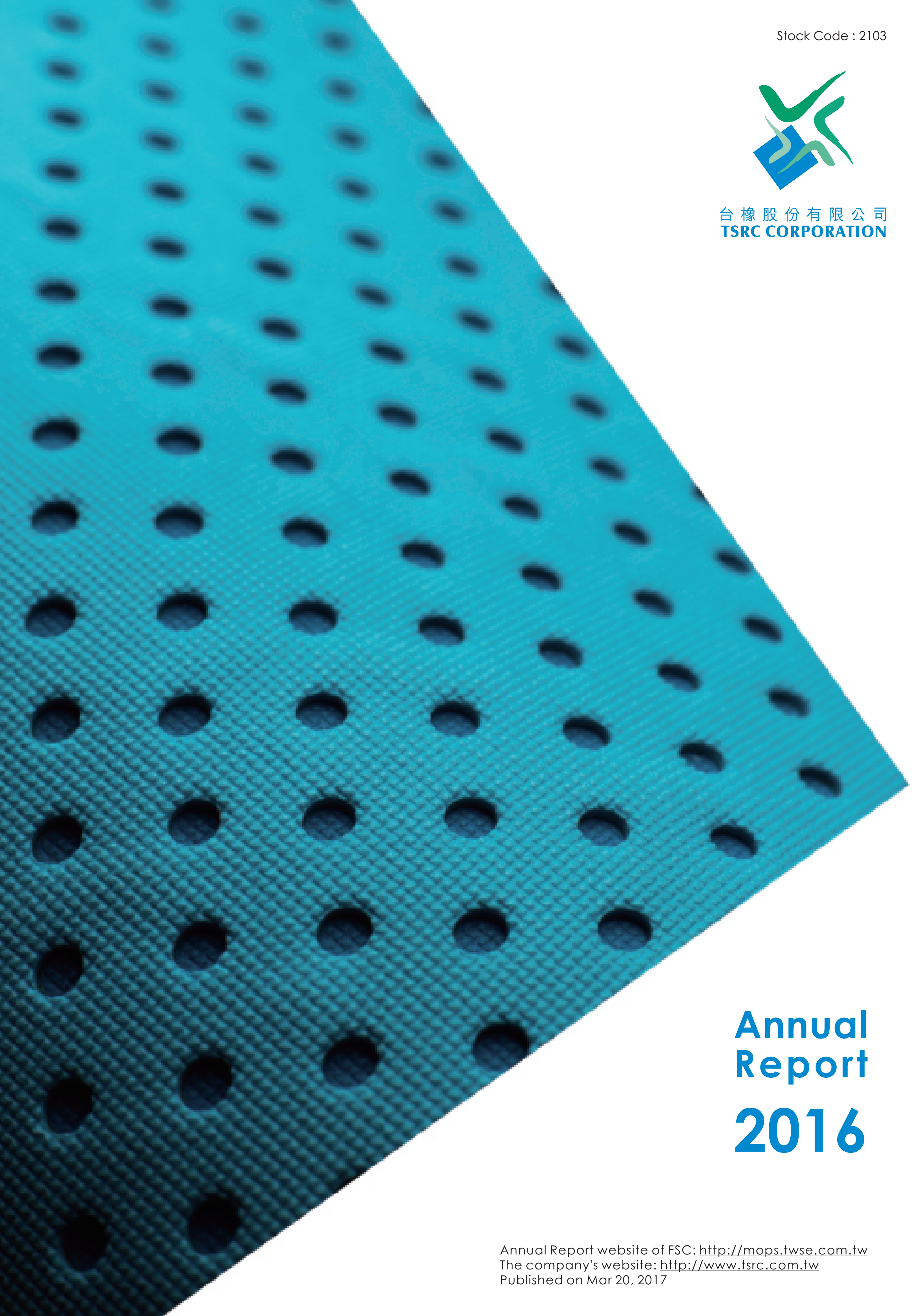
Stock Code : 2103

台橡股份有限公司
TSRC CORPORATION



Annual Report 2016

Annual Report website of FSC: http://mops.twse.com.tw
The company's website: http://www.tsrc.com.tw
Published on Mar 20, 2017

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

Contents

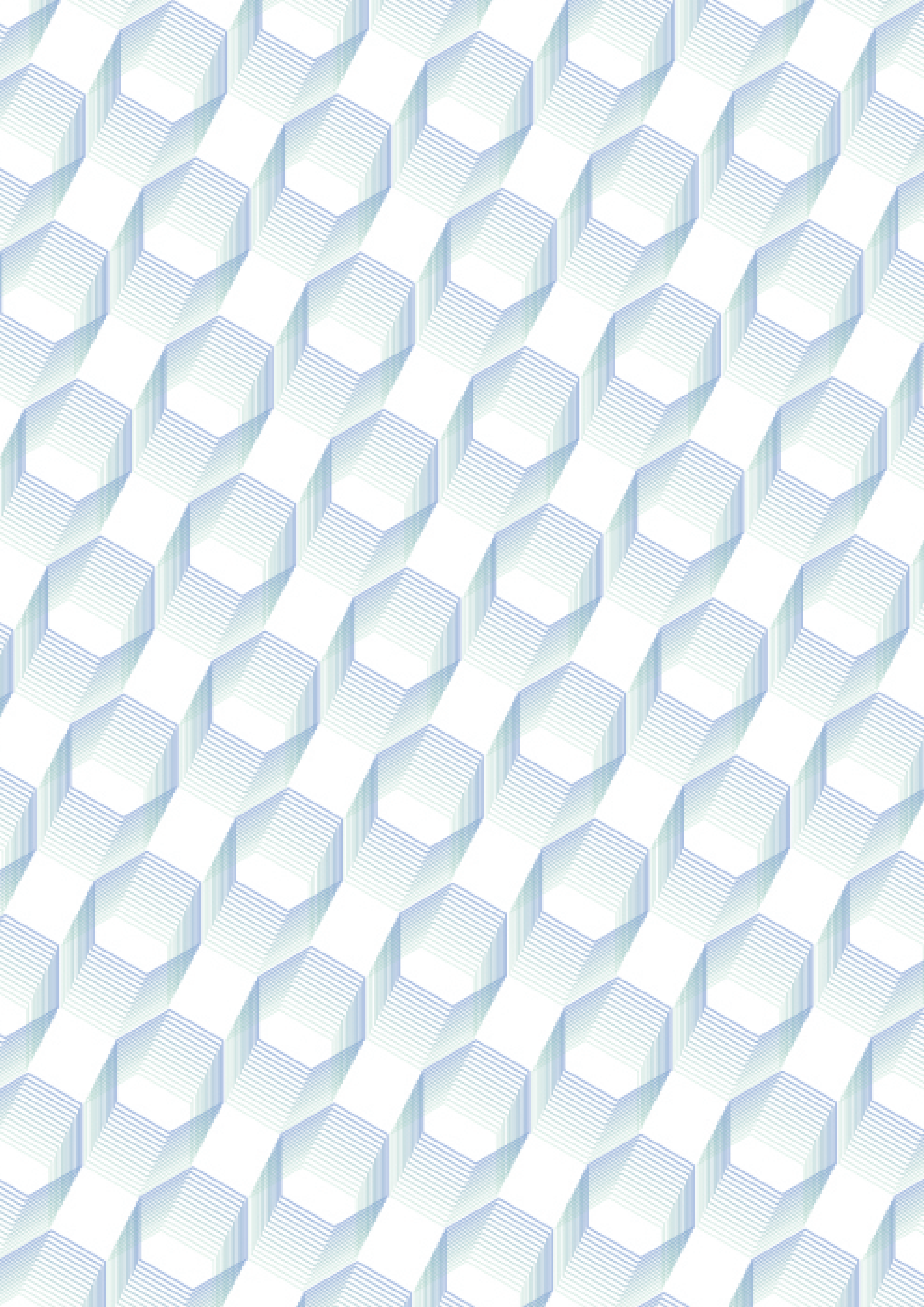
Information on capital raising activities

Overview of business operations

Overview of financial status

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

Special items to be included



Letter to the Shareholders

Letter to the Shareholders

Dear Shareholders:

In 2016, there were some surprising changes that will have a profound influence on the world over the next few years. People in the U.K. voted to leave the European Union in June and newly elected President of the United States of America in November. Although the impact of these two events on international politics and economics remains to be seen, the global financial markets were shocked at the time the events occurred and the global foreign exchange markets experienced drastic changes. The exchange rate of NTD to USD that is closely relevant to the exports of Taiwan fluctuated drastically, and the exchange rate of RMB to USD depreciated to the lowest point by the end of the year under the influence of decelerating economic growth and capital outflows in China. The acute changes in the foreign exchange markets had an impact on export-oriented corporations in the aspects of order intake, quotations and profits. In addition, many newly promulgated regulations governing industrial safety and environmental protection in Taiwan and the world increased operating costs of the petrochemical industry. Starting from Q4, the price of butadiene dramatically and unexpectedly increased within a short period. These exceptional and changing internal and external factors increased the complexity and challenge of corporate operations.

Although the overall environment in the past year was full of challenges, the Company still strove to invest in replacing aged equipment, to improve the quality of production procedures, to adjust our product portfolio, to increase investment in environmental protection and industrial safety, and to develop products with better competitiveness that meet market demands in order to increase market share and profits. In addition to improving the operating structure, the Company, on the other hand, also actively assisted joint ventures to improve operating performance. These steps enabled the Company to improve the operating and financial performance from the previous year and laid a solid foundation for future growth.

Achievement in 2016

Business Achievement

Despite concerns about oversupply remaining in the synthetic rubber market in Asia, the overall operation of the Company was not influenced like other small players due to the fact that the Company has been cultivating the market for a long period and has a better brand reputation. With the benefit of the 50% tax reduction on automobile purchases, demand in the automobile and tire markets in China increased year-on-year. The Company strengthened integration of production and sales in its two major production bases in Taiwan and China through consolidation of the sales functions in these markets. The Company's synthetic rubber shipments in 2016 still increased compared to the previous year. For thermoplastic elastomers, despite being under the influence of unfavorable factors where some of the products were facing price reduction headwinds from external competitors and temporary suspension of production in China due to the G20 Summit in China, shipments still significantly increased compared to 2015. In total, the overall shipments in 2016 reached 489 thousand tons, an increase of 6% compared to 460 thousand tons in the previous year. The consolidated revenues in 2016 reached NTD 26,955.09 million, an increase of 4% compared to NTD 25,981.76 million in the previous year.

Concerning the Company's gross profit in 2016, despite encountering a substantial price increase for butadiene in Q4 and the price erosion from other companies, it still reached NTD 3,880.88 million, an increase of 15% compared to NTD 3,375.62 million in the previous year due to solid execution of business strategy and raw material purchase. The gross profit margin reached 14%, compared with 13% in 2015. With the improvement of operating performance of joint ventures, which reduced losses and asset impairments, the net income in 2016 reached NTD 988.35 million and the earnings per share was NTD1.2. Both indices increased by 87% compared to the net income of NTD529.12 million and earnings per share of NTD 0.64 in the previous year.

R&D Achievement

The Company has been actively attracting outstanding talents to join the R&D department and consistently investing in the development of new products with high added value. We expect to energize the development chemical industry in Taiwan, respond to the High Value Petrochemical Promotion Policy of the Government, develop products and solutions that meet customer demands, create differentiated value, and establish sustainable competitiveness.

The key research items and results in 2016 include:

- Develop the new generation SSBR to meet the demand of low rolling resistance, outstanding wet grip performance, and high handling properties for green tires.
- Change the solvent of BR to meet the customer and environment protection demands.
- Develop new TPE products: SEBS (HV-SEBS) and medical SEBS.
- Developed advanced shoe materials which received approval from global brands.
- Completed the reconstruction and upgrade of semi-commercial plant in order to improve commercialization of new products from laboratory, pilot plant to commercial production.

The Company was granted 15 patents in 2016

Business Outlook of 2017

With the rise of protectionism in some western countries, the risk to global trade has also increased in 2017. On the other hand, major economies will gradually reduce the quantitative easing monetary policy that has been implemented for many years since the financial crisis in 2008, and consumer confidence may also decrease, thus further weakening purchasing power. In addition, the Paris Agreement signed by many countries to limit global warming and commit to reduce the emission of green-house gases will enter into force, which will consistently increase the costs for industrial safety and environmental protection. The operating costs will also increase due to the price increase in butadiene starting from Q4 last year and the newly amended labor regulations in Taiwan. Despite the many challenges ahead of us in 2017, we are still optimistic that the shipments and profits of the Company can further improve in 2017 riding on the growth momentum of 2016. Specifically, the key sales growth in 2017 are: (1) expanding the sales region for synthetic rubbers and continuing to expand approval by and sales to international customers; (2) continuing to develop new high-valued thermoplastic elastomer products for specialty applications, and (3) working with global brand customers to roll out new advanced shoe materials.

The Company will drive long term growth via (1) organic growth through product innovation, regional expansion, and key account management, (2) strengthening the overall business portfolio through new market segmentation, development of new technology platforms and new material technologies, and (3) expanding profit through the optimization of production efficiency and consistent improvement of quality, to provide best return to the support and encouragement from all shareholders.

Chairman : Shao Yu Wang

Company profile

Company profile

I. Company profile

(1) Date of incorporation

July 27, 1973

(2) Company history

Nov. 1973 Taiwan Synthetic Rubber Corp. was established in Taipei, Taiwan. The factory location was established in Tasha Petrochemical Industrial Park, Kaohsiung, Taiwan. The Company acquired the styrene butadiene rubber technology from B. F. Goodrich to build a plant producing 100,000 tons per year of ESBR.

Feb. 1977 Completed the construction of the plant producing100,000 tons of ESBR.

Jan. 1980 Built a plant in Kaohsiung, Taiwan producing 40,000 tons per year of poly butadiene (BR). The technology was licensed from Japan-based UBE.

June 1982 BR plant came on stream.

Sep. 1982 The Company was listed on Taiwan Stock Exchange.

May 1984 Acquired thermoplastic elastomers (TPE) production technology from of Phillips Petroleum Company to establish the TPE plant with a capacity of 20,000 tons per year in Kaohsiung, Taiwan.

Apr. 1988 Started to produce TPE product.

Sep. 1991 Installation and test run of the pilot plant in Kaohsiung, Taiwan.

Sept. 1993 Installation and test run of the co-generation facilities in Kaohsiung, Taiwan.

Jan. 1994 Awarded ISO-9002 certification.

June 1994 Expanded TPE capacity from 20,000 tons to 48,000 tons per year.

Sep. 1994 Expanded BR capacity to 54,000 tons per year. Establishment of the compound plant.

Oct. 1995 Participated in a plant producing 50,000 tons per year of BR in Thailand, with a holding of 12% of the equity.

Jan. 1996 Expansion of the capacity of TPE plant to 54,000 tons per year.

Mar. 1996 Incorporation of Shen Hua Chemical Industrial Co., Ltd in Nantong, China, and establishment of a ESBR plant with an annual capacity of 120,000 tons.

Oct. 1996 Invested in Asia Pacific Energy Development Co., Ltd. to engage in the development of power locally and overseas.

Jan. 1997 Awarded ISO-9001 certification.

Oct. 1997 Started to commercialize the BR plant of the Thailand joint venture company, Thailand Synthetic Rubbers Co. Lte.

Feb. 1998 Awarded ISO-14001 certification.

June 1988 Investment in Taiwan High Speed Rail project.

Oct. 1998 Completion of the construction and test run of the ESBR plant of Shen Hua Chemical Industrial in China.

Aug. 1999 Renamed as TSRC Corporation.

Aug. 2000 Established a German joint venture, Atlantic Polymers GmbH, to promote the Company's products in Europe.

Mar. 2001 Formulated an accounting mechanism to establish two business divisions: (Rubber Business and the TPR business division as Applied Polymers Business).

Aug. 2001 Establishment of TSRC (Shanghai) Industries Ltd for production and sales of compound products in Greater China.

Feb. 2002 Successfully completed the trial run of SEBS, bringing a new opportunity for the diversified application of TPE products.

Oct. 2003 Completed the debottlenecking of ESBR capacity in Shen Hua Chemical Industrial to 12,000 tons per year.

Apr. 2004 Operation of Nantong Qix Storage Co., Ltd. in Nantong, China.

July 2004 Incorporation of TPE application research center for compound products.

Aug. 2004 Establishment of Gangshan plant for compound products.

Oct. 2004 Operation of the new office in Taipei City.

Apr. 2005 Started to commercialize the compound product in Gangshan plant.

June 2005 Incremental ESBR capacity of Shen Hua Chemical Industrial to 180,000 tons per year. Dec. 2005 Establishment of TPE application research center at Gangshan plant.

Sep. 2006 Incorporated TSRC (Nantong) Industrial Ltd. in Nantong, China for producing SEBS product with a annual capacity of 20,000 tons.

Sep. 2006 Incorporated TSRC (Jinan) Industrial Ltd. in Jinan, China for producing compound with a annual capacity of 5,000 tons.

Dec. 2006 Incorporated TSRC-UBE(Nantong) Chemical Industrial Limited Corporation in Nantong, China to produce BR products with a annual capacity of 72,000 tons.

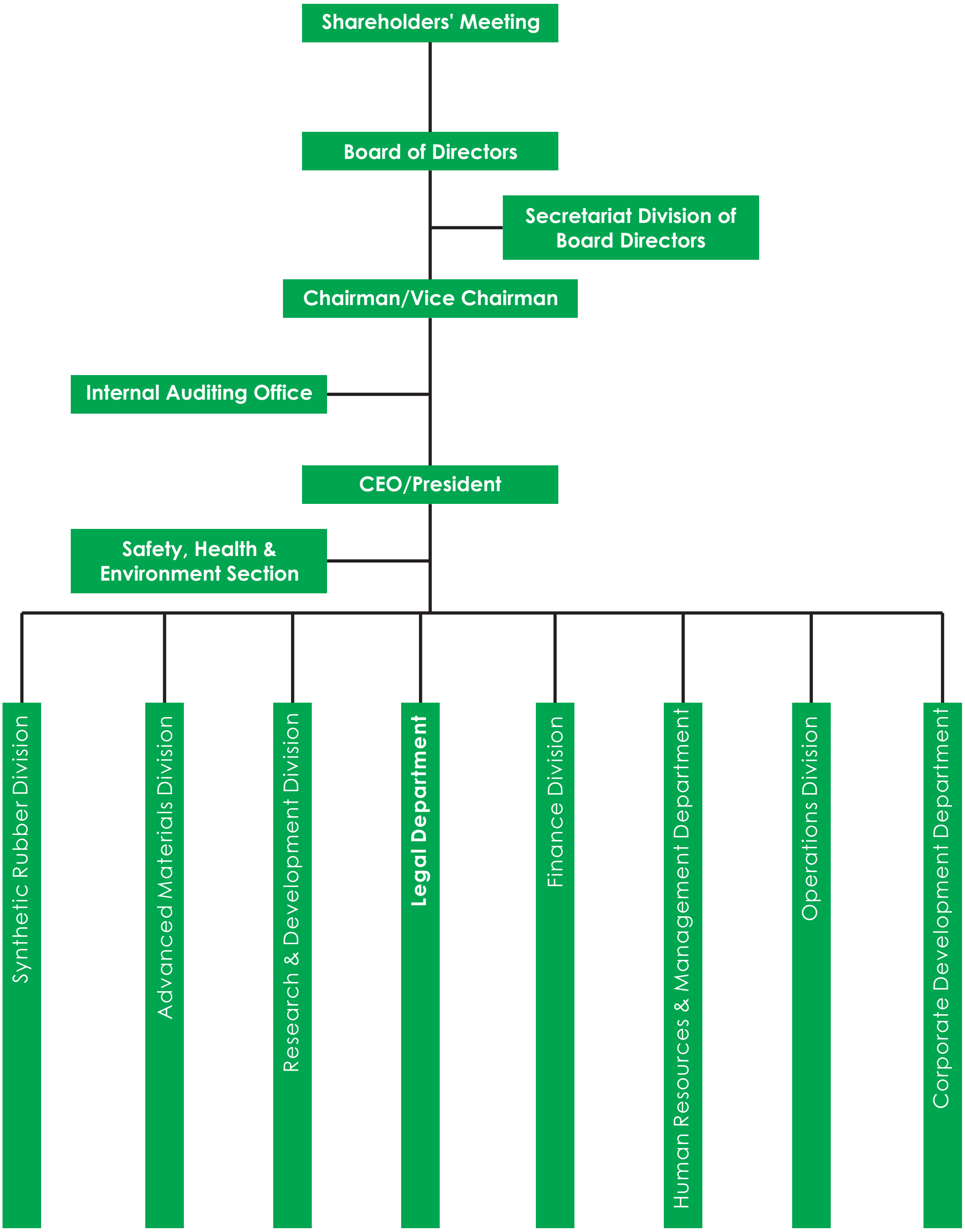
Sep. 2007	Started to commercialize compound products in TSRC(Jinan) Industrial Ltd.
Nov. 2007	Closed German subsidiary, Atlantic Polymers GmbH.
July 2008	Started to commercialize SEBS product in TSRC (Nantong) Industrial Ltd.
July 2008	Operation of the reinvested Polybus Corporation Pte. Ltd. in Singapore.
May 2009	Started to commercialize BR products in TSRC-UBE(Nantong) Chemical Industrial Company Limited.
May 2009	The Company signed the technology licensing contract with JSC VORONEZHSYNTHEZKAUCHUK in Russia.
Dec. 2009	Accredited with OHSAS 18001 & TOSHMS (Taiwan Occupational Safety and Hygiene Management System).
Apr. 2010	Launched a joint venture project for 120,000 tons of ESBR with Indian Oil Corporation Limited and Marubeni Corporation in Panipat, India.
Jun. 2010	Launched a joint venture project for 30,000 tons of NBR with LANXESS in Nantong, China.
Dec. 2010	Signed a share purchase agreement with Exxon Mobil and Dow Chemical to purchase all shares of Dexco Polymers In USA, which produced 32,000 tons of SIS and 30,000 tons of SBS.
Nov. 2011	Signed a joint venture agreement with CPC Corporation, Taiwan and Fubon Financial Holding Venture Capital Corp. to establish Taiwan Advanced Materials Corp., which produced the C-5 series of products, including isoprene and SIS product.
Aug. 2012	Started to commercialize NBR products in Lanxess-TSRC (Nantong) Chemical Industrial Co., Ltd.
Oct. 2012	Expanded SEBS capacity from the annual capacity of 20,000 to 35,000 tones in TSRC (Nantong) Industrial Ltd.
Jun. 2013	Successfully completed the test run of 25,000 tons of SIS in TSRC (Nantong) Industrial Ltd.
Feb. 2014	Indian Synthetic Rubber Private Ltd., a joint venture between the Company, Indian Oil Corporation Limited, and Marubeni Corporation in Japan with the annual productivity of 120,000 tons of ESBR, officially commercialized and entered mass production.
Apr. 2015	TSRC (Jinan) Industries Ltd. was closed.
July 2016	The legal address was changed from18F, No.95, Sec. 2, Dunhua S. Rd., Taipei City to No.2, Singgong Rd., Dashe Dist., Kaohsiung City.
Oct. 2016	Fulfilled corporate social responsibility and honored the promises to customers, reducing toxic substance residuals in the products, improving product quality, and successfully completing the solvent change in BR workshops.

Corporate governance report

Corporate governance report

I. Company's organization

Structure



Tasks of principal divisions/departments/business

Secretariat Division of Board Directors	Responsible to provide relevant resources or assistance required by the Board of Directors and execution duties by Directors to help with the smooth running of the meetings of Board of Directors.
Internal Auditing Office	Supervision, programming and execution of the Company's internal control system.
Safety, Health & Environment Section	Design, creation and implementation of safety, health and environment management.
Synthetic Rubber Division	Responsible for planning and executing the development plan for the synthetic rubber business, selling synthetic rubber products, operating management of subsidiaries, analyzing the overall performance, and being in charge of the operating result.
Advanced Materials Division	Responsible for planning and executing the development plan for the advanced materials business, selling TPE and applied materials products, operating management of subsidiaries, analyzing the overall performance, and being in charge of the operating results.
Research & Development Division	Responsible for developing, planning and executing new products and new production processes, technical services for production promotion, management of patents and special technologies, optimization of the production process of individual products, commercialization and standardization of engineering methods, planning and executing improvement operation of the new projects. Responsible for the quality system, customer complaints, taking charge of product safety regulations, system and industrial safety compliance.
Legal Department	Handle and maintain the legal affairs related to the Company's interest and right.
Finance Division	Responsible for financial policy planning and establishment of the accounting system, planning and managing funds, accounts, taxes/equities, financial management of re-investments. As well as establishing the integration and planning of the information system of the Company, taking charge of the information service of the Company, and resource planning and development.
Human Resources & Management Department	Design, create and implement human resource policies for organization.
Operations Division	Responsible for the management of the production of all bases of the Company all over the world, as well as supervision over the system operation of the supply chain, striving to maintain the safety of all factories, improve quality, optimize production efficiency, and increase competitiveness of products.
Corporate Development Department	Stipulate the middle to long term development strategy of the Company, integrate and allocate resources and supervise the implementation schedule of all projects, and take charge of the promotion of corporate social responsibility and public relations.

II. Information on directors, supervisors, presidents, vice presidents and assist vice presidents

1. Information on directors (1)

Job title	Place of registration or nationality	Name	Gender	Date of elected	Term of contract	Date of first elected	Shares held when elected		Shares currently held		
							Share(s)	%	Share(s)	%	
Chairman	Republic of China	Wei Dah Development Co., Ltd. Statutory Representative: Shao Yu Wang	Male	2015.06.10	3	1988.07.27	28,455,498 0	3.4% -	53,708,923 0	6.5% -	
Vice Chairman	Republic of China	Wei Dah Development Co., Ltd. Statutory Representative: Nita Ing	Female	2015.06.10	3	1985.07.27	28,455,498 0	3.4% -	53,708,923 0	6.5% -	
Director	Republic of China	Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang	Male	2015.06.10	3	2012.06.06	28,455,498 762	3.4% -	53,708,923 762	6.5% -	
Director	Republic of China	Metacity Development Corporation Statutory Representative: Tzu Wei Lee	Male	2015.06.10	3	2002.09.02	30,431,403 1,046	3.7% -	31,093,108 1,046	3.8% -	
Director	Republic of China	Metacity Development Corporation Statutory Representative: D. Otto Cheng	Male	2015.06.10	3	2000.07.27	30,431,403 122,201	3.7% -	31,093,108 122,201	3.8% -	

Dec. 31, 2016

	Shares currently held by their spouses and children of minor age		Shares held in through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/ or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	%	Share(s)	%			Job title	Name	Relationship
	176,150	-	0	-	Soochow University/Fudan University PRC	Yung-an Rental Corp., Taiwan Insulation Material Industrial Company.	No	No	No
	0	-	0	-	Economics, University of California, Los Angeles, USA	President of Hao Ran Foundation, Chairmen of Continental Holdings Corp., and Continental Engineering Corp.	No	No	No
	0	-	0	-	Master of Public Administration National Chengchi University	Senior Advisor of Wei Dah Development Co., Director of Metropolis Property Management & Maintenance Corporation., President of Metropolis Industry Co. Ltd., Director of Taiwan High Speed Rail Corporation Chairman of CEC Security Corp.	No	No	No
	0	-	0	-	M.Sc., Management Science National Chiao Tung University	Tai Ho Development Investment Limited. Director of Newegg Inc.	No	No	No
	99,853	-	97,725	-	Ph.D. in Chemistry, Michigan State University, USA	Independent Supervisor of Ardentec Corporation	No	No	No

Job title	Place of registration or nationality	Name	Gender	Date of elected	Term of contract	Date of first elected	Shares held when elected		Shares currently held	
							Share(s)	%	Share(s)	%
Director	Republic of China	John T. Yu	Male	2015.06.10	3	2015.06.10	0	-	0	-
Independent Director	Republic of China	Robert Hung	Male	2015.06.10	3	2012.06.06	0	-	0	-
Independent Director	Republic of China	Henry Lin	Male	2015.06.10	3	2015.06.10	0	-	0	-
Independent Director	Republic of China	Henry Feng	Male	2016.06.24	3	2016.06.24	0	-	0	-

	Shares currently held by their spouses and children of minor age		Shares held in through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/ or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	%	Share(s)	%			Job title	Name	Relati-onship
	0	-	0	-	Management Program of Harvard Business School, Bachelor, Department of Electrical Engineering, National Taiwan University CTCI Corporation, Assistant Vice President/Vice President/ President,	Chairman of CTCI Corporation、Chairman of CTCI Overseas Corp. Ltd.、Director of JDEC Co., Ltd、Director of Pan Asia Corporation、Director of TSC Venture Capital Corporation、Director of Gintech Energy Corporation、Director of Utech Solar Corporation、Director of Taiwan Cement Corporation、Supervisor of China Steel Chemical Corporation	No	No	No
	0	-	0	-	Master of Economics, Illinois State University, USA	Independent Director of Wistron Ne-Web Corp.	No	No	No
	0	-	0	-	Master's Degree from the College of Management, National Taiwan University National Chung Hsing University Bachelor of Accounting	Chief Financial Officer of Wistron Corporation, Director of Browave Corp., Independent Director of RDC Semiconductor Co., Ltd., Independent Director of AVer Information Inc., Director of AOPEN Inc., Director of Wistron NeWeb Corp.	No	No	No
	0	-	0	-	Doctor in Chemical Engineering, Yale University; Master's Degree, University of Connecticut; Bachelor Degree in Chemical Engineering, National Taiwan University	Chairman of HAMSTEC Biotechnology CEO of Avalon Nanofibre Limited	No	No	No

Major shareholders of institutional shareholders

Dec. 31, 2016

Institutional shareholders	Major institutional shareholders
Wei Dah Development Co.,Ltd.	Ching Shan Zhen Corporation (99.8%)
Metacity Development Corporation	Ching Shan Zhen Corporation (99.8%)

Major shareholders of major shareholders of institutional shareholders

Dec. 31, 2016

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

Information on directors (2)

Dec. 31, 2016

Conditions Name	Whether they possess work experience of more than five years and the following professional qualifications			Compliance with the circumstances for independency										Number of other public companies in which he/she assumes an independent director concurrently
	At least lecturers of business, law, finance or accounting departments or other relevant departments/divisions required by the Company's business of public and private colleges/universities	Judges, prosecutors, attorneys, CPAs, or other professional and technical personnel possessing licenses after passing national examinations as required by the Company's business	Experience in business, law, finance and accounting, and other work required by the Company's business	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	
Shao Yu Wang	v	v	v	v	v	v	v	v	v	v	v	v		No
Nita Ing			v	v	v	v	v		v	v	v	v		No
Chin-Shan Chiang			v	v	v	v	v	v	v	v	v	v		No
Tzu Wei Lee			v	v	v	v	v	v	v	v	v	v		No
D. Otto Cheng			v	v	v	v	v	v	v	v	v	v		No
John T. Yu			v	v	v	v	v	v	v	v	v	v	v	1
Robert Hung			v	v	v	v	v	v	v	v	v	v	v	1
Henry Lin			v	v	v	v	v	v	v	v	v	v	v	No

(1) Who are not employees of the Company or its affiliates;

(2) Directors and supervisors of non-affiliates of the Company (this limit shall not apply to the independent directors, which were established in accordance with this Act or local laws, of the parent company or a subsidiary of the Company)

(3) Who are not directors/supervisors, or the directors'/supervisors' spouses or minor children, or natural person shareholders who possess more than 1% of the Company's total issued shares in the name of another person, or top ten natural person shareholders

(4) Who are not spouses, relatives within 2nd degree of relationship or lineal relatives within 3th degree of relationship of the personnel referred to in the preceding three subparagraphs;

(5) Who are not directors, supervisors or employees of institutional shareholders holding more than 5% of the Company total issued shares directly, or directors, supervisors or employees of top five institutional shareholders;

(6) Who are not directors, supervisors, managers or shareholders holding more than 5% of the shares of any specific companies or organizations which have financial or business transactions with the Company;

(7) Who are not the owners, partners, directors, supervisors, managers and spouses of the experts, proprietorship, partnership, companies or organizations that have provided financial, commercial and legal services and consultation to the company and its affiliates within the recent year; Excluding the remuneration committee referred to in Article 7 of the Regulations Governing the Appointment and Exercise of Powers by the Remuneration Committee of a Company Whose Stock is Listed on the Stock Exchange or Traded Over the Counter.

(8) Who are not spouses or relatives within 2nd degree of relationship of the other directors

(9) Who are free from any of the circumstances referred to in Article 30 of the Company Act;

(10) Who are not the corporations or representatives defined in Article 27 of the Company Act;

2. Information on presidents, vice presidents and assistant vice presidents

Job title	Nationality	Name	Gender	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age	
					Share(s)	%	Share(s)	%
President	Singapore	Joseph Chai	Male	2015.11.01	0	–	0	–
Sr. Vice President Advanced Materials Division	Canada	Wing-Keung Hendrick Lam	Male	2004.07.16	0	–	0	–
Vice President Operations Division	Republic of China	R. L. Chiu	Male	2016.06.01	2,046	–	0	–

Dec. 31, 2016

Shares held through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
Share(s)	%			Job title	Name	Relationship
55,000	–	Lubrizol Corporation Deputy Vice President of Asia Pacific / MBA, Case Western Reserve University, USA	Presidents of Shen Hua Chemical Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd., Nantong Qix Storage Co., Ltd., Directors of Polybus Corporation Pte. Ltd., TSRC (Hong Kong) Limited, Trimurti Holding Corporation, Hardison Int'l Corporation, Dymas Corporation, Triton Int'l Holdings Corporation, TSRC Biotech Ltd.	No	No	No
0	–	Controller of Pacific Industrial Co., Ltd., Assistant Vice President of First Pacific Co., Ltd. and / Shau Kei Wan Industrial School, Hong Kong	Presidents of TSRC (Nantong) Industrial Ltd. and TSRC (Shanghai) Industrial Ltd. Indian Synthetic Rubber Private Ltd. Directors of TSRC (USA) Investment Corporation, Dexco Polymers Operating Company LLC, Supervisors of Arlanxeo-TSRC(Nantong) Chemical Industrial Co.,Ltd., Taiwan Advanced Materials Corporation, Trimurti Holding Corporation, Hardison International Corporation, TSRC (Biotech) Ltd., TSRC (Hong Kong) Limited?Dymas Corporation, Polybus Corporation Pte. Ltd., TSRC(Lux.) Corporation S.'a r.l., APED Company Ltd.	No	No	No
0	–	Kaohsiung factory manager and Assistant of Manufacturing Division, Acting Vice President of Rubber Business Division TSRC. Vice President & Factory manager of Shen Hua Chemical Industrial Co., Ltd. And / Chemical Engineer, Chung Yuan Christian University, Executive Master of Business Administration, National Sun Yat-Sen University	Directors of Shen Hua Chemical Industrial Ltd., TSRC-UBE (Nantong) Chemical Industrial Co. Ltd. and Taiwan Advanced Materials Corporation	No	No	No

Job title	Nationality	Name	Gender	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age	
					Share(s)	%	Share(s)	%
Vice President Finance Division	Republic of China	Edward Wang	Male	2016.06.01	0	–	0	–
Vice President Research & Development Division	United States of America	Qiwei Lu	Male	2016.04.01	0	–	0	–
Vice President Synthetic Rubber Division	Republic of China	Kevin Liu	Male	2016.06.01	0	–	0	–
Sr. Asst. Vice President Internal Auditing Office	Republic of China	Nick Lin	Male	2005.03.21	0	–	0	–
Sr. Asst. Vice President Legal Department	Republic of China	Tsung-Han Lin	Male	2009.05.01	3,032	–	6,517	–

	Shares held through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
	Share(s)	%			Job title	Name	Relati-onship
	0	－	Chief Financial Officer, HTC / Master of Business Administration, Tunghai University	Directors of Shen Hua Chemical Industrial Ltd. 、Polybus Corporation Pte. Ltd. 、Trimurti Holding Corporation 、Triton International Holdings Corporation 、TSRC (Hong Kong) Limited 、TSRC (USA) Investment Corporation 、Dexco Polymers Operating Company LLC 、TSRC(Lux.) Corporation S.'a r.l. 、Indian Synthetic Rubber Private Ltd. Supervisors of TSRC (Nantong) Industrial Ltd. 、TSRC-UBE (Nantong) Chemical Industrial Co. Ltd. 、TSRC (Shanghai) Industrial Ltd. 、Arlanxeo-TSRC (Nantong) Chemical Industrial Co.,Ltd.	No	No	No
	0	－	Global Strategic Technology Officer, Lubrizol/ Doctor in Material Science and Engineering, University of Minnesota	No	No	No	No
	0	－	Manager, Sales and Marketing, Department, Asst. Vice President Rubber Business Unit, TSRC. Spokesperson and Assistant Vice President, Sales Department, China Synthetic Rubber Corp., And / MBA, Cambridge College, USA	Directors of Shen Hua Chemical Industrial Ltd. 、TSRC-UBE (Nantong) Chemical Industrial Co. Ltd. 、Arlanxeo-TSRC (Nantong) Chemical Industrial Co.,Ltd. 、Indian Synthetic Rubber Private Litmited 、Thai Synthetic Rubbers Co., Ltd.;Manager of Sales and Marketing Polybus Corporation Pte. Ltd.	No	No	No
	0	－	Assistant Vice President of Walsin Technology Corporation, Section Chief of R&D, TSRC and / Chemical Engineering, National Tsing Hua University	No	No	No	No
	0	－	Manager, Legal Affairs and acting Secretariat of the Board, TSRC; LLM, People's University of China, licensed attorney-at-law, passed the civil servant advanced level examination.	No	No	No	No

Job title	Nationality	Name	Gender	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age		
					Share(s)	%	Share(s)	%	
Sr. Asst. Vice President Human Resources & Management Department	Republic of China	Alison Tung	Female	2015.06.01	0	–	0	–	
Sr. Asst. Vice President AMD R&D Department R & D Division	Republic of China	Ching Ting	Female	2013.10.01	0	–	0	–	
Sr. Asst. Vice President SRD R&D Department R & D Division	Republic of China	Jeff Tsai	Male	2011.12.01	18	–	267	–	
Asst. Vice President Business Process Mgt. Section Corporate Development Department	Republic of China	Alice Yuan	Female	2013.08.08	262	–	21	–	
Asst. Vice President Process Engineering Department Operations Division	Republic of China	Shou-Yu Chiu	Male	2016.08.15	0	–	0	–	
Asst. Vice President SRD Manufacturing Department Operations Division	Republic of China	Chin-Chang Ting	Male	2005.12.30	970	–	0	–	

Shares held through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
Share(s)	%			Job title	Name	Relati-onship
0	–	Microsoft Corp. Client-aligned Director of HR Greater China Region、Vice President, Human Resource (GIGNA Int'l, Taipei, Taiwan)、National Taiwan University- EMBA、New York University-MA, Industrial & Organizational Psychology	No	No	No	No
0	–	Acting Vice President of Research and Development Division, TSRC Director of Advanced Technology Project Division, Delsolar Co., Ltd. and/ Ph.D. in Chemistry, University of Iowa, USA	No	No	No	No
0	–	Assistant Vice President of Walsin Technology Corporation, Section Chief of R&D, TSRC and / Chemical Engineering, National Tsing Hua University	No	No	No	No
0	–	Assistant Vice President and Manager, Rubber Business Unit, Marketing & Sales Department and / Economics, Feng Chia University Master's Degree from the College of Management, Master's Degree from the College of Management, National Taiwan University	No	No	No	No
0	–	TSRC Kaohsiung factory manager / Chemical Engineering Department, National Taiwan University of Science and Technology	No	No	No	No
0	–	Kaohsiung factory manager, TSRC, Presidentand factory manager of Shen Hua Chemical Industrial Ltd. and / Chemical Engineer of Tamkang University	No	No	No	No

Job title	Nationality	Name	Gender	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age	
					Share(s)	%	Share(s)	%
Asst. Vice President Information Technology Department Finance Division	Republic of China	Eddy Chao	Male	2008.08.01	2,705	–	0	–
Asst. Vice President Financial Management Department Finance Division	Republic of China	Mingyi Wu	Female	2016.10.03	0	–	0	–
Asst. Vice President Applied Materials Department Advanced Materials Division	Republic of China	Huang-Cheng Kuo	Male	2013.01.01	667	–	1,052	–
Asst. Vice President Sales and Marketing Department Advanced Materials Division	Republic of China	Chin-Bao Lu	Male	2016.08.15	1,227	–	2,675	–
Factory Manager Kaohsiung Factory SRD Manufacturing Department Operations Division	Republic of China	Shian-Chung Kuo	Male	2016.08.15	1,270	–	0	–

Shares held through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
Share(s)	%			Job title	Name	Relati-onship
0	–	Director-General of Information Division, Siemens Telecommunication Systems Ltd./R&E Engineer of Alcatel Lucent Taiwan and / Master of Management Science of National Chiao Tung University	No	No	No	No
0	–	Senior Financial Department, HTC / Master of Business Administration, University of Florida	No	No	No	No
0	–	President of TSRC (Shanghai) Industrial Ltd. TSRC Asst. Vice President of Compound Department Manager of Applied Polymers Division and / Chemistry, Tamkang University	Director of TSRC (Shanghai) Industrial Ltd.	No	No	No
0	–	President of TSRC (Nantong) Industrial Ltd. TSRC Manager of Procurement & Logistics Department / Master's Degree, Department of Chemical Engineering, Chung Yuan Christian University	Directors of TSRC (Nantong) Industrial Ltd. TSRC (Shanghai) Industrial Ltd.	No	No	No
0	–	TSRC Manager of Production Department, Operations Director of Arlanxeo-TSRC(Nantong) Chemical Industrial Co., Ltd. Factory manager of Shen Hua Chemical Industrial Co., Ltd / Department of Chemical Engineering, Tamkung University	No	No	No	No

Job title	Nationality	Name	Gender	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age	
					Share(s)	%	Share(s)	%
President of the subsidiary Advanced Materials Division	Republic of China	Calvin Su	Male	105.10.12	6,092	–	0	–
President of the subsidiary Advanced Materials Division	Republic of China	Max Tsai	Male	102.12.01	0	–	0	–
President of the subsidiary Synthetic Rubber Division	Republic of China	Jim Chien	Male	105.08.15	53	–	1,155	–

Shares held through nominees		Principal work experience and academic qualification	Position(s) concurrently held in the company and/or in any other company	Other officers, directors or supervisors who are their spouses or relatives of 2nd degree of relationship		
Share(s)	%			Job title	Name	Relati-onship
0	–	President of TSRC (Nantong) Industrial Ltd. 、Sr. Manager of TSRC Advanced Materials Division / Master's Degree, Department of Chemical Engineering, National Tsing Hua University	Directors of TSRC (Nantong) Industrial Ltd.	No	No	No
0	–	President of Dexco Polymers L.P. 、General Manager of Marketing in China, Teknor Apex and / Chemical Engineer, Chung Yuan Christian University	Director of TSRC (USA) Investment Corporation?Dexco Polymers Operating Company LLC 、TSRC(Lux.) Corporation S.'a r.l.	No	No	No
0	–	President of TSRC-UBE (Nantong) Chemical Industrial Co. Ltd. 、Manager of Procurement & Logistics Department / Department of International Business, Feng Chia University	No	No	No	No

(3) Remuneration paid to directors, supervisors, presidents and vice presidents

1. Directors' remuneration

Job title	Name	Directors remuneration								Percentage of the total of A, B, C and D accounting for income after tax	
		Base compensation (A)		Severance pay and pensions (B)		Remuneration to directors(C)		Business execution expenses(D)			
		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report
Chairman	Wei Dah Development Co., Ltd. Statutory Representative: Shao Yu Wang	Total 17,919	Total 17,919	Total 0	Total 0	Total 11,180	Total 11,180	Total 1,450	Total 1,450	3.09%	3.09%
Vice Chairman	Wei Dah Development Co., Ltd. Statutory Representative: Nita Ing										
Director	Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang										
Director	Wei Dah Development Co., Ltd.										
Director	Metacity Development Corporation Representative: Tzu Wei Lee										
Director	Metacity Development Corporation Representative: D. Otto Cheng										
Director	Metacity Development Corporation										
Director	John T. Yu										
Independent Director	Robert Hung										
Independent Director	Henry Lin										
Independent Director	Henry Feng										

Remark: One leased vehicle and one driver assigned to the Company's. The yearly rent for the leased vehicle is NT$ 791 thousand and the remuneration paid to the driver is NT$ 884 thousand.

Unit: NTD in thousands

	Relevant remuneration received by directors who are also employees								Percentage of total of A, B, C, D, E, F and G accounting for income after tax		Compensation paid to directors from non-consolidated affiliates
	Salary, bonus and special allowance(E)		Severance pay and pensions (F)		Employees' earnings (G)						
	The company	Companies in Financial Report	The company	Companies in Financial Report	The company		Companies in Financial Report		The company	Companies in Financial Report	
					Cash	Stock	Cash	Stock			
	0	0	0	0	0	0	0	0	3.09 %	3.09 %	No

Remuneration paid to the various directors	Name of directors			
	Total (A+B+C+D)		Total (A+B+C+D+E+F+G)	
	The Company	Companies in Financial Report	The Company	Companies in Financial Report
2,000,000 below	Nita Ing Chin-Shan Chiang Tzu Wei Lee D. Otto Cheng	Please refer to the left column.	Nita Ing Chin-Shan Chiang Tzu Wei Lee D. Otto Cheng	Please refer to the left column.
2,000,000 (inclusive of 2,000,000)-5,000,000(does not contain 5,000,000)	John T. Yu Robert Hung Henry Lin Metacity Development Corporation Henry Feng Wei Dah Development Co., Ltd.	Please refer to the left column.	John T. Yu Robert Hung Henry Lin Metacity Development Corporation Henry Feng Wei Dah Development Co., Ltd.	Please refer to the left column.
5,000,000 (inclusive of 5,000,000)-10,000,000(does not contain 10,000,000)	Shao Yu Wang	Please refer to the left column.	Shao Yu Wang	Please refer to the left column.
10,000,000 (inclusive of 10,000,000)-15,000,000(does not contain 15,000,000)	-	-	-	-
15,000,000 (inclusive of 15,000,000)-30,000,000(does not contain 30,000,000)	-	-	-	-
30,000,000 (inclusive of 30,000,000)-50,000,000(does not contain 50,000,000)	-	-	-	-
50,000,000 (inclusive of 50,000,000)-100,000,000(does not contain 100,000,000)	-	-	-	-
100,000,000 above	-	-	-	-
Total	11	Please refer to the left column.	11	Please refer to the left column.

2. Presidents' and vice presidents' remuneration

Job title	Name	Salary(A)		Severance pay and pensions (B)		Bonus and special allowance(C)		
		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	
President	Joseph Chai (Note1)	Total 30,284	Total 30,284	Total 2,100	Total 2,100	Total 20,454	Total 20,454	
Vice President	Wing-Keung Hendrick Lam							
Vice President	R. L. Chiu							
Vice President	Edward Wang							
Vice President	Qiwei Lu							
Vice President	Tsu-Ti Liu							
Vice President	Chung-Zung Kung (Note2)							

Note 1: One leased vehicle and one driver assigned to the President. The yearly rent for the leased vehicle is NT$ 490 thousand and the remuneration paid to the driver is NT$ 565 thousand and rental housing costs NT$ 2,640 thousand .

Note 2: Resigned on June 1, 2016.

Unit: NTD in thousands

Employees' compensation amount (D)				Percentage of the total of A, B, C and D accounting for income after tax (%)		Compensation paid to directors from non-consolidated affiliates
The company		Companies in Financial Report		The company	Companies in Financial Report	
Cash Amount	Stock Amount	Cash Amount	Stock Amount			
Total 1,555	0	Total 1,555	0	5.50 %	5.50 %	No

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

4. Employees' bonus paid to management team and allocation

Dec. 31, 2016

	Job title	Name	Stock	Cash (NTD in thousands)	Total (NTD in thousands)	Percentage of the total income after tax (%)
Managers	Sr. Vice President	Wing-Keung Hendrick Lam	0	Total 5,687	Total 5,687	0.58 %
	Vice President	R. L. Chiu				
	Vice President (Financial Supervisor)	Edward Wang				
	Vice President	Tsu-Ti Liu				
	Sr. Asst. Vice President	Nick Lin				
	Sr. Asst. Vice President	Tsung-Han Lin				
	Sr. Asst. Vice President	Alison Tung				
	Sr. Asst. Vice President	Ching Ting				
	Sr. Asst. Vice President	Jeff Tsai				
	Asst. Vice President	Alice Yuan				
	Asst. Vice President	Shou-Yu Chiu				
	Asst. Vice President	Chin-Chang Ting				
	Asst. Vice President	Eddy Chao				
	Asst. Vice President	Huang-Cheng Kuo				
	Asst. Vice President	Chin-Bao Lu				
	Asst. Vice President	Shian-Chung Kuo				
	President of the subsidiary	Calvin Su				
	President of the subsidiary	Max Tsai				
	President of the subsidiary	Jim Chien				
	Accounting Supervisor	Ming-Huang Chen				

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

Unit: NTD in thousands

Job title	The company		Companies in Financial Report	
	2016	2015	2015	2014
Director remuneration	30,549	19,140	30,549	19,140
Director remuneration percentage of net income after taxes	3.09%	3.62%	3.09%	3.62%
Supervisor remuneration	-	406	-	406
Supervisor remuneration percentage of net income after taxes	-	0.08%	-	0.08%
President and vice president remuneration	54,393	51,228	54,393	51,228
President and vice president remuneration percentage of net income after taxes	5.50%	9.68%	5.50%	9.68%

Note: The Company established the Audit Committee to replace the supervisors in 2015.

The Company paid the director, the supervisor, president and vice president remuneration policy, standards, and packages, the procedure for determining remuneration, and its linkage to operating performance and future risk exposure as follows, The relevant remuneration payable by the Company to directors and supervisors shall be subject to the resolution of the shareholders' meeting, while the remuneration payable to president and vice president shall be subject to Management Rules Governing Salary to maintain the competitive salary and remuneration standards in the market. Meanwhile, it is necessary to take the salary position applicable to the relevant job ranks in the same trade, company's overall operational performance and personal performance to define the salary portfolio consisting of monthly salary (including base compensation and allowance) and year-end bonus; principle of this salary policy has no risk in the future.

III. Status of corporate governance implementation

(1) Operation of the Board of Directors:

The Board of Directors held 7 meetings in 2016. The attendance of directors in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remarks
Chairman	Wei Dah Development Co., Ltd. Statutory Representative: Shao Yu Wang	7	0	100%	
Vice Chairman	Wei Dah Development Co., Ltd. Statutory Representative: Nita Ing	6	1	86%	
Director	Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang	7	0	100%	
Director	Wei Dah Development Co., Ltd. Statutory Representative: Tzu Wei Lee	5	2	71%	
Director	Metacity Development Corporation Representative: D. Otto Cheng	5	2	71%	
Director	John T. Yu	7	0	100%	
Independent Director	Robert Hung	7	0	100%	
Independent Director	Henry Lin	7	0	100%	
Independent Director	Henry Feng	3	0	100%	Note

Other matters to be noted:

1. Matters referred to in Article 14.3 of the Securities and Exchange Act: None.
2. Other matters resolved by the directors' meeting against which any independent director shows dissent or qualified opinion, which is included in a written statement or recorded resolution: None.
3. Recusal on proposals with the relationship of interests by independent directors: Implement in accordance with the regulations
4. Objectives for enhancement of functions of the Board of Directors in the current year and recent years and evaluation of execution thereof: Implement in accordance with the regulations

Note 1: Took office On June 24th, 2016

(2) Operation of the Audit Committee

The Audit Committee held 6 meetings in 2016. The attendance of independent director in the meetings is specified as follows:

Job title	Name	Frequency of actual attendance	Frequency of proxy attendance	Actual attendance rate (%)	Remarks
Independent director	Robert Hung	6	0	100%	
Independent director	Henry Lin	6	0	100%	
Independent director	Henry Feng	3	0	100%	Note

Other matters to be noted:

1. Any matter set forth in Article 14-5 of the Securities and Exchange Act: Implement in accordance with the regulations
2. Other matter that was not approved by the Audit Committee, but had the consent of more than two-thirds of all directors: None.
3. Recusal on proposals with the relationship of interests by independent directors: None
4. Communication between independent directors, chief internal auditors, and accountants: Implement in accordance with the regulations

Note: Took office On June 24th, 2016.

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

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1.Has the company abided by the " Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to formulate and disclose the corporate governance best practice principles?		v	Although we have not followed the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to formulate and disclose the corporate governance best practice principles, we still consider its relevant regulations to promote corporate governance.	In consideration of the practical operation, it has not been formulated.
2.Equity structure and shareholders right (1)Has the company formulated internal SOP for handling shareholders' suggestions, doubts, disputes, litigations and implemented them according to the SOP?		v	(1)The company has not yet established SOP for handling shareholders' suggestions, doubts, disputes and litigations. A related functional department handles such matters.	In consideration of the practical operation, it has not been formulated.
(2)Does the company hold a list of the company's key shareholders and their ultimate controllers?	v		(2)Disclose the list of main shareholders in the company and their ultimate controllers in accordance with the law.	
(3)Has the company established and implemented risk control and firewall mechanism with its affiliated companies?	v		(3)There is a clear distinction and proper firewall mechanism established for the management goal and responsibilities of personnel, assets and finance between the Company and affiliates. In addition, the audit unit implements measures for internal audits and internal control to ensure the risk control, management and law compliance.	
(4)Has the company stipulated internal regulations prohibiting inside personnel trading securities using information that has not yet been disclosed on the market?	v		(4)Stipulate moral conduct standard and regulations for executing official duties.	

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
3.The organization of the Board of Directors and their duties (1)Has the board formulated diverse guidelines for different groups and implemented them accordingly?	v		(1)The Board of Directors of the Company has nine directors in accordance with the " Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies" by taking diversity and industrial style and operation of the Company into consideration. Three of the members of the Board of Directors are independent directors.	In consideration of the practical operation, it has not been formulated.
(2)Besides creating the Remuneration Committee and the Audit Committees according to the law, has the company voluntarily established other functional committees?	v		(2)Apart from establishing a Remuneration Committee and Audit Committee in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies," the Company also established relevant committees based on the operational demands.	
(3)Has the company formulated a performance appraisal method for the board of directors and its evaluation thereof and conducted them regularly every year?		v	(3)Despite the Company not stipulating the regulations governing the performance of the Board of Directors, several functional committees were established within the Board of Directors. Directors serving in functional committees and the implementation of director duties are recorded in the regulations governing the duties of each functional committee and the minutes of the Board of Directors.	
(4)Does the company evaluate accountant independence on a regular basis?	v		(4)Before the end of each fiscal year, the responsible unit of the Company will prepare the evaluation and selection report for the entrusted certified public accountant (CPA) of the next fiscal year and report to the Board of Directors before appointment to ensure the independence of the CPA.	

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
4.Whether a TWSE/TPEx listed company sets up a full- (or part-) time corporate governance unit or personnel to be in charge of corporate governance affairs (including but not limited to furnishing information required for business execution by directors and supervisors, handling matters relating to board meetings and shareholders meetings according to laws, handling corporate registration and amendment registration, producing minutes of board meetings and shareholders meetings)?	v		Despite the Company not setting up a full-time corporate governance unit, a part-time corporate governance unit and relating personnel are in charge of corporate governance affairs in accordance with the "Corporate Governance Best Practice Principles for TWSE/TPEx Listed Companies."	No difference
5.Does the Compan y maintain channels of communication with stakeholders (including but not limited to shareholders, employees, customers and suppliers) and designate a stakeholders section on its website as well as properly respond to critical corporate social responsibility issues that stakeholders are concerned with?	v		The company's relevant business departmental personnel will keep in touch with stakeholders. The supervisory management of the board of directors will take care of the stakeholders' opinion.	No difference
6.Has the company commissioned professional securities institutions to handle shareholders' meetings?	v		We commissioned Sino Pac Holdings to handle the shareholders' meeting.	No difference
7.Disclosures (1)Does the Company set up a website to disclose financial business and corporate governance? (2)Does the company also adopts other means for disclosure. (i.e. English web site, personnel dedicated to collect and disclose company information, establishment of a spokesperson policy, disclosure of the process of investor conference on company web site, etc.)	 v v		(1)The company's related information and annual reports will be posted on the company's website periodically, and important message will be released by the company's spokesman pursuant to laws. (2)The said enhancement of transparency of information and investors' services includes the expansion of links with revenue, quarterly statement, annual report and shareholders' relationship by means of public information system and the company's website.	No difference
8.Is there any other important information that will facilitate the understanding of the company's corporate governance operations (including but not limited to employee rights, employee care, investor relations, sup plier relations, stakeholders' rights, further education of directors and supervisors, implementation of risk management policy and risk evaluation standards, client policy implementation, company's liability insurance for its directors and supervisors and so on)?	v		*The Company stipulates the "Table for the Delegation of Authorization and Duties for Taiwan Synthetic Rubber Corporation and Subsidiaries" to specify the authorization to the Board of Directors and managers and clearly distinguish the delegation of authorization and duties between the Board of Directors and managers.*	No difference
9.Please describe the improvement for the corporate governance evaluation result of the latest year released by the TWSE Corporate Governance Center and propose precedent enhancement and measures for matters that have not yet been improved – the Company plans to improve uploading the English materials of the shareholders' meeting as the priority starting from 2016.				

(4) Information on Compensation Committee:

The major duties of the Remuneration Committee:

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

(i) Information on Compensation Committee

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

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

(1) Who are not employees of the Company or its affiliates;

(2) Not the directors and supervisors of the Company or affiliates. This limit shall not apply to the independent directors of the Company or its parent company or subsidiaries established in accordance with this Law or local laws.

(3) Who are not directors/supervisors, or the directors'/supervisors' spouses or minor children, or natural person shareholders who possess more than 1% of the Company's total issued shares in the name of another person, or top ten natural person shareholders

(4) Who are not spouses, relatives within 2nd degree of relationship or lineal relatives within 3th degree of relationship of the personnel referred to in the preceding three subparagraphs;

(5) Who are not directors, supervisors or employees of institutional shareholders holding more than 5% of the Company total issued shares directly, or directors, supervisors or employees of top five institutional shareholders;

(6) Who are not directors, supervisors, managers or shareholders holding more than 5% of the shares of any specific companies or organizations which have financial or business transactions with the Company;

(7) Who are not the owners, partners, directors, supervisors, managers and spouses of the experts, proprietorship, partnership, companies or organizations that have provided financial, commercial and legal services and consultation to the company and its affiliates within the recent year;

(8) Who are free from any of the circumstances referred to in Article 30 of the Company Act;

(ii) Operation of Compensation Committee

The Company's Compensation Committee consists of 3 members.

The Compensation Committee tenure is from June 12, 2015 until June 9, 2018. The Compensation Committee held 4 meetings in 2016. The members' qualifications and attendance are stated as follows:

Job title	Name	Frequency of actual attendance(B)	Frequency of proxy attendance	Actual attendance rate (%)(B/A)(Note)	Remarks
Convener	Robert Hung	4	0	100%	
Members	Henry Lin	4	0	100%	
Members	Henry Feng	1	0	100%	

Other matters to be noted:

1. If the Board of Directors will decline to adopt, or will modify, a recommendation of the Compensation Committee: None.
2. Where a member has expressed a dissenting opinion or reservation with respect to a material resolution passed by the Compensation Committee, and said dissenting opinion or reservation has been recorded or prepared as a written declaration, please specify the date of the committee meeting, session, contents of the motion, all members opinion and the response action against the members' opinion: None.

Note: Took office On June 24th, 2016.

(5) Performance of social responsibility

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1. Implementation of Corporate governance (1) Has the company stipulated CSR policies or systems and reviewed the performance?	Yes		1. Mission of the Company: To become a critical cooperation partner of customers in the long term, strive to fulfill corporate social responsibility, and become an excellent corporation dedicated to innovation, growth and excellence. 2. Vision of the Company: To become a growth and profit-oriented global special material corporation and to provide the best solutions, value and return on investment to our shareholders, customers and employees. 3. Corporate Social Responsibility system: Stipulate the communication and solid issue selection procedure of corporate social responsibility (CSR), and promote CSR business through the CSR Promotion Committee and periodically convening Steering Committee meetings to review the CSR promotion and strategy.	No difference
(2)Does the company regularly organize CSR education and training?	Yes		The policy and direction of education and training strive to boost employee work skills and competiveness. It also encompasses CSR related issues such as environmental protection, energy conservation, labor health and safety and green products in order to respond to changes in the future market and environment. According to the Rules for Employees Training, the Company creates an annual education and training program based on the Company's annual operating principles, demand of units, and applicable laws and regulations to conduct courses of general education, professional skills, management talent, and qualification certification for new and in-service employees. It also attains its goal of " lifelong learning" Through in-house and external training activities.	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
(3) Has the company established a dedicated (part-time) unit for CSR, which is managed by senior executives and authorized by the board of directors, and reports to the board of directors?	Yes		Organization of CSR is as follows: Under the Steering Committee headed by the President/CEO, five committees were established: the "Promotion Secretariat" , " Corporate Governance Committee" , "Employee Caring Committee" , " Environmental Protection and Energy Saving Committee" , "External Communications Committee" and "Social Caring Committee" , actively facing and controlling the CSR management benchmarks of the three aspects: economic, environmental and social. The CSR promotion secretariat compiles the results and opinions every year and reports it to the CSR guidance committee, where the CEO will report the accomplishments as well as future strategies to the board of directors.	No difference
(4) Has the company stipulated a reasonable remuneration policy, integrated the employee performance evaluation system with CSR policy, and established clear, effective reward/punishment mechanism?	Yes		TSRC ensures reasonable remuneration through the remuneration committee and the remuneration management regulation. Furthermore, health and safety performance is linked to an appraisal system and reflected in the employees' annual performance evaluation; any violations of the regulation will be dealt with in accordance with the reward and punishment regulations.	No difference
2.Development of sustainable environment (1) Does the Company contributed to improving the utilization of all resources and used recycled material that brought minimum load to the environment.	Yes		For the production process, we introduce the idea of "maximizing the utilization of energy and resources." We tend to reduce energy and resource consumption in the production process through the improvement of design and efficiency of the production process and recycling of raw materials and successfully developed and produced new green products. In addition, we also replaced heavy oil with natural gas for the fuel of furnaces to reduce pollution.	No difference
(2) Has the company established an environment management system according to the industry characteristics?	Yes		The Company continues to operate effectively, under the certifications of ISO 1400, environmental management system. The Company passed ISO 50001 Energy Management System/QC 080000 certification (hazardous material process flow management system).	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
(3) Does the Company pay attention to the impact of the climate change on the operation of the company and establish energy saving, carbon reduction and greenhouse gas minimization strategies.	Yes		(1)The Company established dedicated environmental management organization in accordance with the law, with dedicated environmental management staff in charge of air pollution, waste water, waste and toxic materials. (2)In respect of the Greenhouse Gas Reduction Plan, the Company supports the country's reduction targets, and complies with the relevant policies of competent authorities. It has passed 2005-2014 ISO 14064-1 (Greenhouse gas emission) Verification in 2011, 2013, and 2015, respectively, and completed the registration process on the " Taiwan National Greenhouse Gas Registry." In addition, the Company is one of a second batch of companies that should declare greenhouse gas emissions announced by the Environmental Protection Administration (EPA). Therefore, it will complete 2015 Organizational Greenhouse Gas Inventory verification in June 2016. (3)Currently, the " Greenhouse Gas Reduction Act" has been officially promulgated on July 1, 2015. The Company will implement the relevant reduction measures in accordance with the "National Action Plan in Response to Climate Change" And "Greenhouse Gas Reduction Promotion Program" formulated by the Environmental Protection Administration, Executive Yuan. (4)In terms of product carbon/water footprint, we have passed the ISO/DIS 14067 (product carbon footprint) and product water footprint verification for 3 representative products. Furthermore, through the implementation of the carbon/water footprint auditing system, not only able to monitor the greenhouse gas emission ratio of a product during various stages of its life cycle; we are actively seeking opportunities to reduce carbon emission as well. Moreover, we also choose low carbon materials and components during production or development in an attempt to minimize burden on the environment. (5)In order to continue implementing measures for energy savings and carbon reduction, we established the ISO 50001 energy management system in 2013 and received SGS certification. Additionally, we continued to enhance energy utilization efficiency, reduce management cost and decrease greenhouse gas emission during 2014 and 2015, while energy consuming equipment and manufacturing process are identified through the energy management system as well as consistently completed external verification on the energy management system every year. In the future, the system serves to assist the company to analyze energy usage and depletion, so as to seek improvement opportunities.	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
3.Protection of social commonweal (1) Has the Company stipulated relevant management policies and procedures in accordance with related regulations and the International Bill of Human Rights?	Yes		The company uses the Labor Standards Act and related labor laws as the basis for formulating employee attendance, leave and overtime management regulations. Strict rules are enforced to prohibit forced labor, and all regulations are clearly documented in the CSR manifesto.	No difference
(2) Has the Company established an employee complaint mechanism and channel and has it handled complaints adequately?	Yes		The employee complaint management regulation has been implemented and a complaint email has been created in the company intranet.	No difference
(3) Does the Company provide the employees with safe and healthy working environment and carried out regular training courses regarding safety and health of the employees.	Yes		Apart from conducting business in accordance with relevant health and safety regulations, we also carry out employee health and safety education and training every year.	No difference
(4) Does the Company establish the periodic communication mechanism for employees, and notified employees of any changes in operation that might materially affect employees in reasonable manners.	Yes		Group bargaining (about once per three years), labors and employer meeting (principle per quarter), labor union members communication meeting (whenever needed), strategic company development meeting (per year), presidents' symposium (whenever needed), workers welfare committee meeting (per quarter), responsible care committee meeting (once per two months), labor, safety & health committee meeting (per quarter), employees unit safety communication meeting (per quarter), labor pension overseeing committee (per quarter), collaboration agreement organization (whenever needed), health promotion workshop (whenever needed), and employees' forum at the internal Portal site.	No difference
(5) Has the Company created an effective vocational skill development and training program?	Yes		The policy and direction of education and training strive to boost employee work skills and competiveness in order to respond to changes in the future market and environment. Every year, the annual education and training program is devised according to the internal employee training regulation, company's management guideline, organizational demand and relevant laws, where new employee and current employee general knowledge, professional skill, management competency, qualification and certification are organized. Furthermore, the goal of "lifelong learning" is materialized through internal and external training.	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
(6) Has the company stipulated policies and complaint filing protocols to protect the consumers' rights throughout the R&D, procurement, production, operations and service process?	Yes		The customers whom the Company faces are not the end consumers, but the downstream manufacturers. Through annual interactive seminars and interviews (email, telephone interview, questionnaire and so on), we are able to ensure the health and safety of our clients when using our products. Quality assurance convenes related units to conduct the survey, analyze the cause and examine the response method in order to propose appropriate solutions. The cause of the customer complaint and solution are compiled to form an investigation report according to the handling method of various customer complaints in order to quickly resolve the problem of quality and hazardous substance free product deliveries. In addition, the Company also established the " CSR mailbox" (csr.admin@tsrc.com) and a stakeholder section to communicate and receive feedback from stakeholders.	No difference
(7) Has the company abided by relevant regulations and international standards concerning the marketing and labeling of products and services?	Yes		For the first shipment of all products, the Company will attach SDS to ensure users clearly understand the terms of use and the disposal method for the wastes. For the compliance of international laws and customer demands, the Company establishes a harmless and harmful substance management system and provides law compliance disclaimers for all products.	No difference
(8) Before the company decides to collaborate with a supplier, does it assess the supplier's past record to determine if it has had any influence on the environment and the society?	Yes		Apart from evaluating the quality and supply capacity when selecting new suppliers, these new suppliers shall sign the Code of Conduct for TSRC suppliers or provide the CSR report of the company, as well as filling in the CSR evaluation form to ensure the CSR implementation performance of new suppliers. The new suppliers for raw materials shall additionally provide HSF quality evaluations to ensure the supply of raw materials is environmental friendly.	No difference
(9) Does the contract between the company and major suppliers include the right to terminate or cancel the contract should the supplier violate the company's CSR policies, resulting in considerable impact on the environment and the society?	Yes		If the following circumstances, such as significant improper quality, abnormal HSF quality, late delivery, severe violation of industrial safety regulations or significant CSR deficiencies (media disclosure) which are not improved within a year, happen to qualified suppliers and cause an impact on the production, quality, HSF quality or CSR image of the Company, such supplier shall be suspended for supply if these deficiencies are not reviewed and improved.	No difference

<table>
<tr><th rowspan="2">Assessment Items</th><th colspan="3">Status</th><th rowspan="2">Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies</th></tr>
<tr><th>Yes</th><th>No</th><th>Abstract Description</th></tr>
<tr><td>4. Enhancing the disclosure of information
(1) Does the company disclose relevant and reliable CSR related information on its website and on the MOPS?</td><td>Yes</td><td></td><td>The "Special Zone for Corporate Social Responsibility" has been established on the Company's official website for public disclosure of information about CSR Report.</td><td>No difference</td></tr>
<tr><td colspan="5">5. Does the company has established the CSR implementation policy according to the Corporate Social Responsibility Best Practice Principles for TWSE/GTSM-Listed Companies, describe the difference between the actual implementation and the regulations of the Principle.
The Company established the CSR Committee in 2010. in the Company fully strengthened the depth of CSR activities in accordance with the CSR Best Practice Principles for Publicly Listed Companies.</td></tr>
<tr><td colspan="5">6. Other important in formation that is helpful to understand the operation of CSR :
(1) External consultants establishing the CSR mechanism.
(2) Continued Solution Styrene Butadiene Rubber (SSBR) is used in tire manufacturing. It can reduce oil consumption and waste gas emission by cars, reducing the impact on the environment.
(3) Participating in the Taiwan Responsible Care Association and Chemical Awareness and Emergency Response Association, Taiwan, fulfilling member obligations and ensuring the safety and health of the community/society.
(4) The Manufacturing Process Safety Management Guidelines, Product Management Guidelines, Contractor Safety Management Guidelines, Distribution Management Guidelines, Waste Management and Reduction Management Guidelines and Emergency Reaction Management Guidelines are established based on the safety standards of Taiwan Responsible Caring Association.
The established sub-committees of "Manufacturing Process Safety", "Product Regulations and Rules", "Contractor Safety", "Distribution Safety", "Energy Saving and Reduction", "Emergency Reaction" and "Legislation and Discipline" continued to operate. Plant "Safety, Health, Environmental Protection and Green" policies are implemented with a reinforced "Technology, Equipment, Staff and Community" policy.
(5) Environmental accounting was established in 2010 (including safety, health and environmental protection expense). Statistics of several environmental accounting expenses every year have also been completed for the purpose of management and continuous improvement in environmental safety and health.
(6) Through the association of companies in the industrial sector, the Company continues to promote neighboring and community support development events.
(7) Through the Industrial Pipeline Inquiry System of Economic Development Bureau, Kaohsiung City Government, residents alongside the underground industrial pipelines may refer to the system and understand their living environment. We also established the Pipelines Security Management System (PSMS) to further inspect and manage underground pipelines.
(8) Results of the implementation of corporate social responsibility
1. Economic side: Implement the requirements relating to corporate governance, announce the various ways and channels of communication for all interested parties on TSRC's official website
2. Environmental side: The Company continues to reduce waste, save energy, improve and refine the production process through the implementation and execution of all management systems, and wishes to establish and produce environmentally friendly production processes and products.
3. Social side: By using the locations of factories as the basis, the Company gradually establishes the social care map. Through social participation and helping disadvantaged groups, the Company also continues to promote chemical educational programs in rural areas and applies products along with suppliers for social care. We expect to fulfill CSR through diverse charity events.</td></tr>
<tr><td colspan="5">7.CSR reports certified by relevant certification agencies should be elaborated:
The company's CSR report was written under the GRI G4 guideline and obtained third party AA1000 verification.</td></tr>
</table>

(6) Performance of operation in good faith management and the adoption of related measures

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1. Define the program for operation in good faith (1) Has the company defined its ethical management policy and approach in its company charter and external documents, as well as the commitment of the board of directors and executives in actively implementing such management policy? (2) Has the company stipulated plans against unethical conducts and clearly defined the SOP, good practice guide, punitive measures, complaint system and ensure their proper implementation? (3) Has the company taken precautionary measures against unethical conducts and business activities stipulated by Article 7.2 of the "Ethical Corporate Management Best Practice Principles for TWSE/GTSM Listed Companies"	v v v		1. All of the Company's directors/supervisors and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhile, the Company also highlighted its determination to fulfill the operation in good faith in its enterprise cultural declarations about enterprise mission, enterprise view and core competency, and expressly defined the disciplinary procedure for violations in said codes in accordance with the Company's "Reward & Punishment Policy" . 2. Aforementioned regulations are the responsibilities of the company's board of directors secretariat and Human Rresources & Management Department department.	No difference
2. Fulfillment of operation in good faith (1) Has the company assessed the ethical record of its partners and stipulated the ethical behavior clause in the contract? (2) Has the company established a dedicated (part-time) unit subsidiary to the board of directors to promote ethical management, and has the unit regularly reported its status to the board of directors? (3) Has the company stipulated policies to prevent the conflict of interest, provided adequate complaint channel and ensured of its proper implementation? (4) Has the company created an effective accounting system, internal control system in implementing ethical management, and conducted regular evaluations through the internal auditing unit or commission an accountant to conduct the evaluation? (5) Has the company regularly organized internal and external education and training concerning ethical management?	v v v v v		We make sure that we only conduct business with qualified suppliers through the "Supplier Evaluation and Management Regulation" , and we announce our stance on refusing to collaborate with unethical companies to our suppliers when enquire for quotation. All of the Company's directors/supervisors and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhile, the Company also highlighted its determination to fulfill the operation in good faith in its enterprise cultural declarations about enterprise mission, enterprise view and core competency, and expressly defined the disciplinary procedure for violations in said codes in accordance with the Company's "Reward & Punishment Policy"	No difference

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
3. Status of the company's reporting mechanism. (1) Has the company stipulated a specific reporting and reward system, established a convenient reporting channel and assigned appropriate personnel to the accused? (2) Has the company stipulated SOP and relevant confidentiality system to investigate the matter in question? (3) Has the company taken measures to protect the reporter from being wrongfully treated?	v v v		The company adopted relevant regulations and channels based on the "Regulations Governing Employee Complaints Management" and employee opinions gathered from the intranet (EIP), furthermore, the "Reward and Punishment Regulation" also stipulates procedures for the reporting and punishment of violations.	No difference
4. Enhance the disclosure of information (1) Has the company disclosed the performance of its ethical management on the company website and the MOPS?	v		The Company's intranet (EIP) has disclosed the "Code of Professional Conduct", which may be followed by all employees when performing their job duty.	
5. If the Company has defined its ethical corporate management practice in accordance with the Ethical Corporate Management Best Practice Principles for TWSE/GTSM-Listed Companies, please state the operation thereof and difference between the Principles and the practice defined by the Company: The Company executed the operation in accordance with the "Ethical Code" and "Code of Professional Conduct", and there is no difference between them and said Principles.				
6.Any other important information helpful to comprehend the Company's operation in good faith : None				

(7) Methods of inquiry for the corporate governance principles and bylaws adopted by TSRC and its subsidiaries:

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

(8) Other significant information the will provide a better understanding of TSRC and its subsidiaries' implementation of corporate governmance.

1. Advanced study of directors/supervisors

Job title	Name	Date of advanced study	Hosted by	Programs	Hours
Independent director	Robert Hung	July. 22, 2016	Taiwan Corporate Governance Association	The exertion of the efficacy of independent directors	3
Independent director	Robert Hung	Dec. 2, 2016	Taiwan Corporate Governance Association	Attack and defense of hostile acquisition–acquisition aspect and litigation aspect	6
Chief Accountant	Ming-Huang Chen	Aug. 22, 2016	Accounting R&D Foundation	Continuous educational classes for issuers, securities firms, and accounting officers of TWSE	12

2. Procedures for handling material inside information

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

(9)Implementation of the Company's internal control system

1. A statement of Internal Control

TSRC Corporation

A statement of Internal Control

Date: March 17, 2016

In accordance with the result of self-evaluation of the internal control system in 2016, the Company hereby declares as follows:

1. The Company acknowledges and understands that the establishment, implementation and maintenance of the internal control system are the responsibility of the Board of Directors and managerial officers, and that the Company has already established such a system. The purpose is to provide reasonable assurance regarding the achievement of objectives such as the effectiveness and efficiency of business operations (including profitability, performance, and security of assets), reliability, timeliness, transparency, and regulatory compliance of reporting, and compliance with applicable laws, regulations, and by laws.
2. There is limitation inherent to internal control system, no matter how perfect the design is. As such, effective internal control system may only reasonably ensure the achievement of the aforementioned goals Further, the operation environment and situation may vary, and hence the effectiveness of the internal controls system. The internal control system of the company features the self-monitoring mechanism. Once identified, any shortcomings will be corrected immediately.
3. The company judges the effectiveness of the internal control system in design and enforcement in accordance with the “Criteria for the Establishment of Internal Control System of Public Offering Companies ” (hereinafter referred to as “the Criteria”) promulgated by the Securities and Futures Commission of the Ministry of Finance. The Criteria is instituted for judging the effectiveness of the design and enforcement of internal control system. There are five components of effective internal control as specified in the Criteria with which the procedure for effective internal control is composed by five elements, namely, 1. Control Environment 2. Risk Evaluation 3. Control Operation 4. Information and Communication and 5.Monitoring. Each of the elements in turn contains certain audit items, and shall be referred to the Criteria for detail.
4. The Company has adopted the above criteria for the internal control system to assess the effectiveness of the design and operation of its internal control system.
5. In accordance with the aforesaid evaluation result, the Company believes that the internal control system as of December 31, 2016 (supervision and management over subsidiaries), including understanding the effect of operation, the attainment rate and report of the efficiency goal are reliable, timely, and transparent, and the design and implementation of the internal control system are in compliance with the regulations and effective and reasonably ensure the attainment of the aforesaid goals.
6. This statement of declaration shall form an integral part of the annual report and prospectus on the company and will be announced. If there is any fraud, concealment and illegal practice discovered in the content of the aforementioned information, the company shall be liable to legal consequences under Article 20, Article 32, Article 171 and Article 174 of the Securities and Exchanges Act.
7. This statement of declaration has been approved by the Board on March 17, 2016 with presence of 8 directors at unanimous consent.

TSRC Corporation
Chairman: Shao Yu Wang
President: Joseph Chai

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

(10) Any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements in 2016 and until the annual report being published: No

(11) The important resolutions made by shareholders' regular meetings and board of directors' meetings in 2016 and until the annual report being published.

1. The important resolutions made by shareholders' regular meetings in 2015	The status of implementation
(1) Recognition of the Company's business report and financial statements for 2015;	Resolved
(2) Recognition of the allocation of earnings for 2015;	With an ex-right record date of August 31, 2016 as determined by the Board of Directors, the cash dividend of NT$1.06 per share was paid on September 23, 2016.
(3) Passed the resolution on the amendment of Corporate Charter	The resolution is adopted, and has been carried out pursuant to the resolution of shareholders' meeting.
(4) Election of independent directors	Takes affect after being resolved by the shareholders' meeting.
(5) Resolved that the non-competition restrictions imposed on the Company's director should be lifted.	Takes affect after being resolved by the shareholders' meeting.

2. Important resolutions made by board of directors' meetings:	
Date	**Important resolutions**
May 5. 2016	Passed the resolution to announce the change of financial officers of the Company.
Aug. 4. 2016	Resolved shareholder dividend ex-date reference information.
	Resolved that the non-competition restrictions imposed on the Company's managers should be lifted.
Mar. 16. 2017	Resolved that the shareholders' regular meeting for 2016 should be called.
	Resolved that allocation of earnings for 2016 should be approved.

(12) Whether any director or supervisor has shown dissent against any important resolution made by the Board of Directors, which is also included in a written statement or recorded resolution in 2015 and until the annual report being published : None

(13) A summary of resignations and dismissals of the chairman, general manager, accounting manager, chief financial officer, chief of internal auditor and director of research and development in 2015 and until the annual report being published:

Dec. 31, 2016

Job title	Name	Date of hiring	Date of discharge	Cause for resignation discharge
Financial officer	Chung-Zung Kung	July. 7. 2013	June 1. 2016	Resigned

IV. Information on CPA professional fee

(1) Information about audit fee and non-audit fee paid to CPA and accounting firms

Unit: NTD in thousands

Name of the accounting firm	Name of the CPA		Audit fee	Non-audit fee					CPA's audit period	Remarks
				System design	Industrial & commercial registration	Human resource	Other	Subtotal		
KPMG Taiwan	Po Shu Hung	Ann Tine Yu	5,410	0	30	0	140	170	Jan. 1, 2016 to Dec. 31, 2016	Other items of non-audit fees are mainly the result of business tax directly deducting certificate fees

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

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

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

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

V. Information on replacement of CPA-None

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

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

Job title	Name	2016		February 28, 2017	
		Increase (decrease) in shares held	Increase (decrease) in pledged shares	Increase (decrease) in shares held	Increase (decrease) in pledged shares
Chairman	Shao Yu Wang	–	–	–	–
Director	Wei Dah Development Co., Ltd.	–	-5,820,000	–	–
Corporate representative of the director	Shao Yu Wang	–	–	–	–
Corporate representative of the director	Nita Ing	–	–	–	–
Corporate representative of the director	Chin-Shan Chiang	–	–	–	–
Director	Metacity Development Corporation	–	–	–	–
Corporate representative of the director	Tzu Wei Lee	–	–	–	–
Corporate representative of the director	D. Otto Cheng	–	–	–	–
Director	John T. Yu	–	–	–	–
Independent Director	Robert Hung	–	–	–	–
Independent Director	Henry Lin	–	–	–	–
Independent Director	Henry Feng	–	–	–	–
President	Joseph Chai	–	–	–	–
Sr. Vice President	Wing-Keung Hendrick Lam	–	–	–	–
Vice President	R. L. Chiu	–	–	–	–
Vice President (Financial Supervisor).	Edward Wang	–	–	–	–
Vice President.	Qiwei Lu	–	–	–	–
Sr. Asst. Vice President	Tsu-Ti Liu	–	–	–	–
Sr. Asst. Vice President	Nick Lin	–	–	–	–
Sr. Asst. Vice President	Tsung-Han Lin	–	–	–	–
Sr. Asst. Vice President	Alison Tung	–	–	–	–
Sr. Asst. Vice President	Ching Ting	–	–	–	–
Sr. Asst. Vice President	Jeff Tsai	–	–	–	–
Asst. Vice President	Alice Yuan	–	–	–	–
Asst. Vice President	Shou-Yu Chiu	–	–	–	–
Asst. Vice President	Chin-Chang Ting	–	–	–	–
Asst. Vice President	Eddy Chao	–	–	–	–
Asst. Vice President	Mingyi Wu	–	–	–	–
Asst. Vice President	Huang-Cheng Kuo	–	–	–	–
Asst. Vice President	Chin-Bao Lu	–	–	–	–
Factory Manager	Shian-Chung Kuo	–	–	–	–
President of the subsidiary	Calvin Su	–	–	–	–
President of the subsidiary	Max Tsai	–	–	–	–
President of the subsidiary	Jim Chien	–	–	–	–
Accounting Supervisor	Ming-Huang Chen	–	–	–	–

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

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

August 31, 2016

Name	Share(s) held personally		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Names and relationship of any of the top ten shareholders and their spouses or relatives of 2nd degree of relationship who are related defined in the Statement		Remarks
	Share(s)	%	Share(s)	%	Share(s)	%	Name/name	Relationship	
Panama Banco industrial company	69,524,417	8.4%	0	-	0	-	NO	NO	
Hao Ran Foundation Statutory Chairman：Nita Ing	60,171,319	7.3%	0	-	0	-	Wei Dah Development Co., Ltd.	Statutory Chairman of the Company	
Wei Dah Development Co., Ltd.	53,708,923	6.5%	0	-	0	-	NO	NO	
Wei Dah Development Co., Ltd. Statutory Chairman: Shao Yu Wang	0	-	176,150	-	0	-	NO	NO	
Wei Dah Development Co., Ltd. Statutory Chairman: Nita Ing	0	-	0	-	0	-	Hao Ran foundation Statutory	Chairman of the Foundation	
Wei Dah Development Co., Ltd. Statutory Chairman: Chin-Shan Chiang	762	-	0	-	0	-	NO	NO	
CITI bank Taiwan branch in custody for Government of Singapore Investment Fund	41,226,332	5.0%	0	-	0	-	NO	NO	
Tamerton Group Limited	34,578,143	4.2%	0	-	0	-	NO	NO	
Fubon Life Insurance Co. Ltd. Chairman: Richard M. Tsai	31,426,050	3.8%	0	-	0	-	NO	NO	
Metacity Development Corporation	31,093,108	3.8%	0	-	0	-	NO	NO	
Metacity Development Corporation Chairman: Tzu Wei Lee	1,046	-	0	-	0	-	NO	NO	
Metacity Development Corporation Chairman: D. Otto Cheng	122,201	-	99,853	-	97,725	-	NO	NO	
Nan Shan Life Insurance Company, Ltd Chairman： Y. T. Du	19,393,610	2.3%	0	-	0	-	NO	NO	
Cathay life insurance Co. Ltd. Chairman: Cai Hong Tu	18,692,217	2.3%	0	-	0	-	NO	NO	
CITI bank in custody for Government of Singapore Investment Fund	14,222,884	1.7%	0	-	0	-	NO	NO	

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

Investees (Note)	Investment by the company		Investment by directors, managers and enterprises directly or indirectly controlled by the company		Total investment	
	Share(s)	%	Share(s)	%	Share(s)	%
Trimurti Holding Corporation	86,920,000	100.00%	–	–	86,920,000	100.00%
Hardison International Corporation	3,896,305	100.00%	–	–	3,896,305	100.00%
Dymas Corporation	1,161,004	19.48%	4,798,566	80.52%	5,959,570	100.00%
Taiwan Advanced Materials Corp.	72,000,000	48.00%	–	–	72,000,000	48.00%

Note 1: the Company's investment accounted for under equity method

Information on capital raising activities

Information on capital raising activities

I. Capital and shares

(1) Source of capital stock

March 20, 2017

Year/ month	Issue price (NT$)	Authorized stock capital		Paid-in capital		Remarks		
		Shares(s) (1,000 shares)	Amount (NT$1,000)	Shares(s) (1,000 shares)	Amount (NT$1,000)	Source of stock capital	Property other than cash offset against capital	Other
July 1973	10	20,000	200,000	5,100	51,000	Incorporation of company		
Jun 1974	10	20,000	200,000	13,200	132,000	Increase of 51,000,000 NTD	Technical cooperation remuneration transferred to capital stock 30,000,000 NTD	
Feb 1975	10	20,000	200,000	20,000	200,000	Increase of 61,928,000 NTD	Technical cooperation remuneration transferred to capital stock 6,072,000 NTD	
Nov 1975	10	40,000	400,000	30,000	300,000	Increase of 100,000,000 NTD		
Dec 1975	10	40,000	400,000	40,000	400,000	Increase of 100,000,000 NTD		
Jul 1976	10	60,000	600,000	50,000	500,000	Increase of 100,000,000 NTD		
Apr 1977	10	60,000	600,000	54,000	540,000	Increase of 40,000,000 NTD		
Jul 1980	10	110,000	1,100,000	73,238	732,380	14,000,000 NTD transferred from earnings 52,380,000 NTD transferred from capital		
Sep 1981	10	110,000	1,100,000	92,300	923,000	Increase of 16,980,000NTD 173,640,000 NTD transferred from earnings		Issue date: May 18,1981
Apr 1982	10	120,000	1,200,000	116,000	1,160,000	Increase of 135,470,000 NTD 101,530,000 NTD transferred from capital		Listed date: September 25, 1982
Oct 1983	10	121,800	1,218,000	121,800	1,218,000	58,000,000 NTD transferred from capital		
Sep 1984	10	145,000	1,450,000	127,890	1,278,900	60,900,000 NTD transferred from capital		
Aug 1985	10	145,000	1,450,000	140,679	1,406,790	63,945,000 NTD transferred from earnings 63,945,000 NTD transferred from capital		
Sep 1986	10	164,200	1,642,000	164,200	1,642,000	Increase of 80,463,000NTD 119,577,000 NTD transferred from earnings 35,170,000 NTD transferred from capital		
Jul 1987	10	201,966	2,019,660	201,966	2,019,660	344,820,000 NTD transferred from earnings 32,840,000 NTD transferred from capital		
Aug 1988	10	238,319	2,383,199	238,319	2,383,199	363,539,000 NTD transferred from earnings		
Aug1989	10	274,068	2,740,679	274,068	2,740,679	357,480,000 NTD transferred from earnings		
Oct 1991	10	306,956	3,069,560	306,956	3,069,560	328,881,000 NTD transferred from earnings		
Aug 1995	10	550,000	5,500,000	369,700	3,697,000	627,440,000 NTD transferred from earnings		
Jul 1997	10	550,000	5,500,000	502,900	5,029,000	1,332,000,000 NTD transferred from earnings		
Jul 1998	10	750,000	7,500,000	580,487	5,804,870	775,870,000 NTD transferred from earnings		Authorized stock capital includes convertible corporate bonds totaling 10 million shares
Jul 1999	10	750,000	7,500,000	609,511	6,095,114	290,244,000 NTD transferred from earnings		June 29, 1999 Approved by the official letter under (88) Tai-Tsai-Cheng (1) No. 59287

Year/ month	Issue price (NT$)	Authorized stock capital		Paid-in capital		Remarks		
		Shares(s) (1,000 shares)	Amount (NT$1,000)	Shares(s) (1,000 shares)	Amount (NT$1,000)	Source of stock capital	Property other than cash offset against capital	Other
Jun 2006	10	750,000	7,500,000	649,909	6,499,095	403,981,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 0950124967 dated June 20, 2006
Jun 2011	10	900,000	9,000,000	714,900	7,149,004	649,909,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1000028593 dated June 22, 2011
Jun 2012	10	900,000	9,000,000	786,390	7,863,904	714,900,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1010027239 dated June 19, 2012
Jun 2014	10	900,000	9,000,000	825,709	8,257,099	393,195,000 NTD transferred from earnings		Approval by letter under Chin-Kuan-Cheng-Yi-Tze No. 1030023928 dated June 25, 2014

March 20, 2017

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

Information related to general report system-Not applicable

(2)Shareholders' structure

August 31, 2016

Shareholder's Structure / Quantity	Government Agencies	Financial Institutions	Other juridical persons	Individual	Foreign Institutions & Natural Persons	Total
Number of persons	4	22	173	78,320	285	78,804
Share(s)	248,031	75,826,533	175,454,345	318,509,675	255,671,394	825,709,978
Stake(%)	0.03	9.18	21.25	38.58	30.96	100.00

(3) Diffusion of ownership

Par value NTD10/ August 31, 2016

Range of shares held	Number of shareholders	Shares held	Stake (%)
1-999	34,215	7,882,849	0.95
1,000-5,000	30,636	67,785,050	8.21
5,001-10,000	7,110	51,385,900	6.22
10,001-15,000	2,633	32,233,997	3.90
15,001-20,000	1,290	22,964,548	2.78
20,001-30,000	1,234	30,451,094	3.69
30,001-50,000	817	31,803,692	3.85
50,001-100,000	510	35,781,843	4.33
100,001-200,000	212	28,432,116	3.44
200,001-400,000	68	18,807,786	2.28
400,001-600,000	24	11,151,015	1.35
600,001-800,000	13	8,552,978	1.04
800,001-1,000,000	5	4,432,705	0.54
1,000,001 above	37	474,044,405	57.42
Total	78,804	825,709,978	100.00

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

(4) Major shareholders

August 31, 2016

Shares / Shareholders	Shares held	Stake (%)
Panama Banco Industrial Company	69,524,417	8.4%
Hao Ran Foundation Statutory	60,171,319	7.3%
Wei Dah Development Co., Ltd.	53,708,923	6.5%
CITI bank Taiwan branch in custody for Government of Singapore Investment Fund	41,226,332	5.0%
Tamerton Group Limited	34,578,143	4.2%
Fubon Life Insurance Co. Ltd.	31,426,050	3.8%
Metacity Development Corporation.	31,093,108	3.8%
Nan Shan Life Insurance Company, Ltd	19,393,610	2.3%
Cathay Life Insurance Co. Ltd.	18,692,217	2.3%
CITI bank in custody for Government of Singapore Investment Fund	14,222,884	1.7%

(5) Share price, net worth per share, EPS, dividends per share and related information

Unit: NTD

Fiscal year Item			2016	2015	As of Feb. 28, 2017
Market price per share	Maximum		35.30	40.30	39.50
	Minimum		18.40	16.75	33.05
	Average		28.32	27.78	36.28
Net worth per share	Before distribution		18.58	19.67	–
	After distribution		(Note 1)	18.61	–
Earnings per share	Weighted average share(s)		825,709,978	825,709,978	825,709,978
	EPS	Before adjustment	1.20	0.64	–
		After adjustment	(Note 1)	0.64	–
Dividends per share	Cash dividend (Note 1)		1.00	1.06	–
	Dividends (Note 1)	Dividend distributed from earnings	–	–	–
		Dividend distributed from additional paid-in capital	–	–	–
	Cumulative outstanding dividends (Note 2)		–	–	–
Cash dividend yield (note 5)	Price-earnings (P/E) ratio (Note 3)		23.60	43.41	–
	Price-dividend (P/D) ratio (Note 4)		28.32	26.21	–
	Cash dividend yield (note 5)		3.53%	3.80%	–

Note 1: The dividends for 2016 have not yet resolved by the shareholders' meeting.

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

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

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

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

(6) Dividend policy and implementation status

1. Dividend policy

The products of the Company have entered a mature and stable stage, and we are currently actively aiming for globalization and diversification development. In light of coping with the long term planning of the Company for sustainable corporate growth, the Company stipulates its dividend policy as follows: If there are earnings after annual settlement, the Company shall appropriate 10% of the legal reserves after paying all taxation and covering accumulated deficits from the previous years and appropriate or reverse special reserves in accordance with Securities and Exchange Act. The remaining amount, along with the unappropriated retained earnings of the previous term, is the appropriable earnings, of which 50% shall be appropriated as dividends to shareholders.

If the shareholders' dividends are appropriated, the cash dividends shall not be less than 20%, while the stock dividends shall not be more than 80%.

If the shareholders' dividend calculated in accordance with the preceding paragraph is lower than NT$ 0.5 per share, the Company may retain the appropriable earnings without appropriating the earnings.

The aforesaid earnings appropriation shall be proposed by the Board of Directors and reported to the Shareholders' Meeting for resolution.

2. Distribution of dividends scheduled at the shareholders' annual meeting

Cash dividends to be distributed are NT$ 1.00 per share.

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

(8) Employees' compensation and directors' remuneration

1. The percentage or scope of employee and director remuneration provided in the Corporate Charter.
   If the Company has profits in the fiscal year, the Company shall appropriate 1% or more of the profits as the employee remuneration and 1% or less as the director remuneration.
   The appropriable remuneration amount for directors and the regulations governing employee remuneration shall be implemented in accordance with the resolution of the Board of Directors.
2. In 2016, the basis for the Company to estimate the amount of employees' compensation and directors' remuneration, and the actual distributed amount are applied at the ratios as specified by the Company's articles of incorporation. No discrepancy exists between
   the actual distributed amount and the estimated figure.
3. Information on any distribution of compensation proposal approved by the Board of Directors:
   (1) $35,219 thousand distributed as employees' compensation and $11,180 thousand as directors' remuneration, which has no difference with the estimated amount of the annual recognized expense.
   (2) Not applicable since no shares are distributed as employees' compensation by the Company this year.
4. The Company re-elected all directors on June 10, 2015, and established an Audit Committee in lieu of a supervisor.
   The Company appropriated employee remuneration of NT$28,010 thousand and director remuneration of NT$3,199 thousand in cash, which was consistent with the estimated amount in the year of recognition.

(9) Share repurchases: None

II. Corporate bonds - None

III. Preferred shares - None

Global depository receipts - None

Employee stock warrants and new restricted employee shares - None

Merger, acquisition and issuance of new shares due to acquisition of shares of other company - None

V. Implementation of capital allocation plans

1. Description of plans - None
2. Status of implementation - None

Overview of business operations

Overview of business operations

TSRC Corporation and its subsidiaries

I. Description of businesses

(1) Business Scope

1. Major business and product lines:

The business is manufacturing and selling all kinds of synthetic rubbers, including:
(1)Synthetic rubber: ESBR, SSBR, BR and TPE
(2)Non-synthetic rubber: Applied materials

2. Product Portfolio

Unit: NTD in thousands

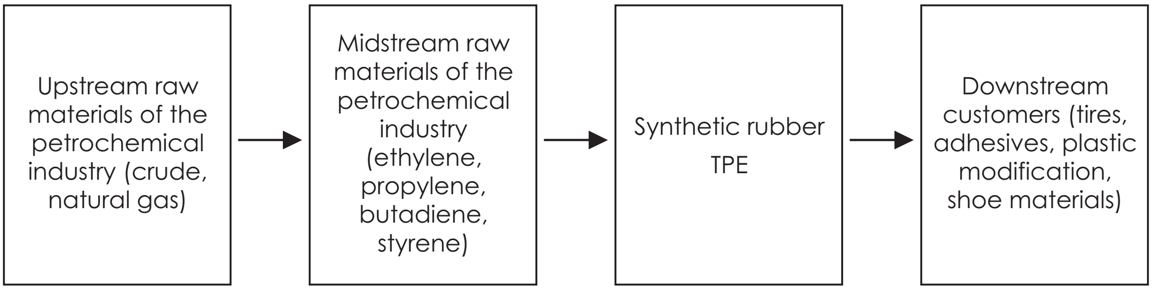
Items	Revenue in 2016	Percentage of Total Turnover
Synthetic rubber	26,120,519	96.90
Non-synthetic rubber	792,429	2.94
Other	42,142	0.16
Total	26,955,090	100.00

3. New Developments

Item
(1) Continue to develop SSBR products for high performance, environmental and energy-saving tires.
(2) Developing TPE products that are differentiated and application-oriented, including developing high-value products for specialty, such as medical materials, advanced shoe materials, and printing films.
(3) Continuing to develop green rubber products that comply with the environmental policy.
(4) Establishing optimization production technology to provide customers with the best product quality.

(2) Industry Overview:

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



The upstream raw materials of the industry are crude and natural gas. The midstream raw materials refer to the raw materials of plastic, chemical fibers, rubber, and chemicals from cracking " petrochemical primary raw materials" with naphtha after polymerization, oxidation and composition.

(2) Status quo and outlook of the industry:

The preferential policy for automobile purchasing in China in 2016 boosted the volume of automobiles sold at 28,030 million unit, and the annual growth rate was 13.7%, which was a sizeable increase compared to the 4.7% growth rate in sales in 2015. In addition, the impact of anti-dumping and countervailing from the United States weakened, and the annual growth rate for tire production in China reached 8%. Despite the automobile market in Japan remaining in recession, the depth of decline dramatically improved compared to 2015. In Southeast Asian countries, the sales of new automobiles also had a good performance along with continued economic growth. Thanks to the growth in the sales of new automobiles, the Company's annual growth rate for the sale of synthetic rubber reached 5%. However, by the end of Q3, Shell stopped its production line in Singapore and the production lines in China and Indonesia were put on hold due to equipment malfunctions, which led to a shortage of butadiene and the rapid raw materials price increased. These factors decreased the spread in Q4 and had an negative impact on the annual profit performance. The Company already adjusted prices, products and production lines to stabilize profit performance.

In 2016, the global economy slowly recovered, and the economies in the United States, Europe and emerging markets gradually improved, which led to an increase in the demand for TPE-related industries (adhesives and plastic modification). The demand for adhesives worldwide increased by 3.4% while the market for plastic products increased by 3.7%, and the demand in emerging markets was even stronger. However, the annual profits were influenced by unstable exchange rates and drastic price fluctuations in raw materials in the second half of the year. In addition, SBS and SIS were oversupplied, which caused intense price competition in Asian markets. Despite facing an economic slowdown, price fluctuations in raw materials and intense competition, the Company continued to differentiate products and strengthen its cooperation with targeted customers in the industry with new technologies and new products to maintain its competitive advantage in the market.

Due to the excellent features of toxin-free, low pollution and recyclability, applied materials are gradually replacing PVC, which has been under import restrictions in European countries in recent years, and the rise of environment protection awareness is pushing international brands to adopt TPE materials instead of PVC or traditional rubber for their products. TPE materials are gradually entering the markets of PVC and traditional rubber, progressing to the rapid development stage in all industries. This is because TPE contains the excellent processing features of thermoplastics and the flexibility of traditional rubber, as well as being more environmentally friendly than PVC, which contains halogen. As the applications continue to expand, applied materials have been widely used in non-PVC wires and cables, baby products, personal health, foam shoe materials, covering materials for hand tools, the automobile industry and refrigerator sidebars.

Looking into 2017, the International Monetary Fund (IMF) forecasts that the annual GDP growth rate in Asia will be 5%. The China Association of Automobile Manufacturers forecasts that the growth rate for automobile sales in China will be 5%, compared to the LMC forecast of 2% growth in Asia other than China. We expect that the demands for tires and synthetic rubber will be growing steadily.

(3) Overview of technology and R&D

1. R&D expenses

Unit: NTD in thousands

Fiscal year	2016
R&D expenses	346,700

2. Successfully developed technology or products

Item	Result
Patents	Awarded 15 patents and filed 4 patent applications.
Development of SSBR products	Completed the development of customized new products while optimizing the quality of existing products.
Development of green rubber materials	Successfully commercialized and entered mass production of BR, NBR and ESBR products that meet the environmental requirements and policies.
Development of high-value HSBC products	Completed the product for medical and high flow film applications.
Development of advanced production technologies	Successfully developed new production technologies to improve the quality and performance of products.

(4) Long-term and short-term business development plans

The main R&D direction of the Company will still focus on developing new products and new technologies by adopting eco-friendly manufacturing process to supply value-added products and services to customers and to solve the problems in the applications of the products for customers and further create a win-win niche. The key development projects include:

1.Long-term plans:

a. Continue to establish and strengthen globalized services and provide customers from all corners of the world with localized supplies while strengthening technical service capacity and creating the opportunities for exchanges and cooperation in application technologies. At the same time, continue to increase technical service capabilities and invest R&D resources in new products.

b. Continue to examine the changes in the upstream and downstream in the global synthetic rubber industry and customer demand, expand the development opportunities for new products, new markets and new applications, as well as evaluating the opportunities for the strategic alliances in the industry's upstream and downstream.

c. Optimize the resource allocation with the Group, continue to invest in talent and resources in research and development, develop new products, and gradually improve the sales and profit ratios of new Products.

d. Establish a communication platform with the research and development teams of the targeted customers, which combines the research and development teams from both sides to jointly develop high value and innovative products and create a win-win situation.

e. Continue to improve processing technology by exchanging ideas with the academic sector and customers, to create additional value.

f. Continue to develop the innovative SBC, and establish a differentiated competitive advantage and meet customers' needs through differentiated product portfolios.

g. Develop production equipment and related raw materials to improve production efficiency and optimize product costs, as well as continuing to adjust production processes and improve quality of existing products.

h. Integrate the industrial development of downstream and customer demands and continue to develop applied materials with high added value through developing TPE technology platform and applications.

i. Optimize the resource allocation inside and outside of the Group and evaluate the position of applied materials in the Greater China Operation Integration Program to increase economic benefits.

2.Short-term plans:

a. In response to the European Union, Japan and China starting to promote green tire labels, the Company established the SSBR R&D project team to focus on the development and promotion of the green tire SSBR market.

b. Establish a business development team in the business unit of synthetic rubber to search for development opportunities for new products, new markets and new application business models as well as to conduct feasibility evaluations.

C. Develop new types of SIS and high-flow SEBS products and applications, increase the diversity of the product portfolio, and enter new market segments and applications.

d. Continue to strengthen the global supply chain, optimize global product supply and sales planning, and satisfy the customer demand of the global supply chain.

e. Strengthen the technology platform and customer development based on strategy and develop applied products with high added value, including an advanced shoe material market and medical TPE products.

f. Continue to expand the application of advanced shoe materials for global brands customer.

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

(1) Market Analysis

1. Major product distribution areas

Unit: NTD in thousands

Name of product	2016		Exported territories
	Sales volume	Sales amount	
Synthetic rubber	479,696	26,120,519	China, Thailand, Japan, Malaysia, Vietnam, Indonesia, U.S.A., Germany, Portugal, India
Non-synthetic rubber	8,979	792,429	China, South East Asia, Europe and Americas

2. Market share:

Synthetic rubber	Asia is the major sales market, accounting for 70% of the total sales, and the sales ratio in American and Eurozone is 15% and 13% respectively.
Non-synthetic rubber	The Greater China region is the major sales market, accounting for 85% of total sales.

3. Demand and supply conditions for the market in the future, and the market's potential growth

According to the LMC forecast, the operating rate of the synthetic rubber industry in Asia in 2017 will slightly improve, and the demand-supply situation will also slightly recover. However, the continued price increases in raw materials may add a lot of stress to the operations of synthetic rubber manufacturers. In light of this factor, the Company will adjust its prices, products and production lines and develop new products to improve its niche.

In 2017, there are new SIS and SEBS production capacities in Asia, and the market will become more competitive due to the increase in supply. In terms of demand, the IMF forecasts that the major momentum for economic growth will come from the United States and China and that global economic growth is expected to continue growing. The World Bank also forecasts that the global real GDP growth rate will bounce from 2.3% to 2.7%. Overall, the demand from the downstream is expected to grow at an easy pace. However, this still requires close attention due to many economic and political uncertainties, such as oil prices, an interest rate rise in the United States, U.K. Negotiations for leaving the EU, and elections in France and Germany.

4. Niche for competition, and positive and negative factors for future development, and countermeasures

The Organization of Petroleum Exporting Countries (OPEC) agreed to cut output, which raised the oil price and the costs for petrochemical raw materials. As Donald Trump was inaugurated as President of the USA, his protectionism policy brings challenges to export-oriented economies. Apart from strengthening management of core customers, the Company also strives to develop new products and manipulate strategies for sales, production and procurement to improve profit performance.

The Company is the leader in TPE market. We have comprehensive SBC products and TPE applied materials, including TAIPOL®, VECTOR® SBS, SIS, SEBS, and its downstream product T-BLEND® TPE applied materials. The Company continues to expand service networks in Asia, Europe and America and provides consistent, reliable, instant and fast technical service to customers.

Apart from the comprehensive global supply chain, the Company also continues to differentiate products and accelerates the transformation of industrial applications as well as developing high added value markets. Recently, we also actively developed multiple new products with our targeted customers, such as high-flow SEBS, medical TPE, non-linear structure of special adhesives, and SIS products that are suitable for repeated adherence. Therefore, the Company may still maintain business growth and stable competitiveness when facing severe market competition and an ever-changing economic environment.

(2) Important application and manufacturing processes of main products

1.Main product important use:

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

2.Outline of production process:

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

(3) Supply of main raw materials

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

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

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

1. Major suppliers accounting for 10 % or more in procurement

Unit: NTD in thousands

	2016				2015			
Item	**Suppliers**	Value	Percentage of total net procurement	**Relationto the issuer**	**Suppliers**	Value	Percentage of total net procurement	**Relationto the issuer**
1	CPC	2,141,318	10%	No	CPC	1,909,191	10%	No
	Others	18,815,890	90%		Others	17,065,068	90%	
	Total	20,957,208	100%		Total	18,974,259	100%	
Causes	1. The average market price for butadiene in 2016 increased by 27% compared to 2015, which caused an increase of 12% in purchase value from CPC, accounting for 10% of the annual net purchase value. 2. The increase in the price of other raw materials was less than butadiene, so the purchase value for CPC accounted for 10%.							

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

(5) Production volume for the most recent two fiscal years

Unit: NTD in thousands/ton

Product	**2016**			**2015**		
	Capacity	**Output**	**Output value**	**Capacity**	**Output**	**Output value**
Synthetic rubber	562,700	470,120	21,507,970	568,500	455,302	20,353,654
Non-synthetic rubber	16,500	11,991	553,013	12,100	10,715	618,000
Total	579,200	482,111	22,060,983	580,600	466,017	20,971,654

(6) Volume of units sold for the most recent two fiscal years

Unit: NTD in thousands/ton

Product	**2016**				**2015**			
	Domestic		**Export**		**Domestic**		**Export**	
	Volume	Value	**Volume**	Value	**Volume**	Value	**Volume**	Value
Synthetic rubber	315,532	18,428,646	164,164	7,691,873	324,321	18,437,449	128,167	6,656,943
Non-synthetic rubber	5,178	408,550	3,801	383,879	8,198	538,891	3,197	323,674
Others	–	42,142	–	–	–	24,802	–	–
Total	320,710	18,879,338	167,965	8,075,752	332,519	19,001,142	131,364	6,980,617

III. Employees information

Item \ Fiscal year		2016	2015	February 28, 2017
	Direct workers	768	783	768
	Indirect workers	687	650	699
	Total of employees	1,455	1,433	1,467
	Average age	39.0(years old)	39.3(years old)	39.6(years old)
	Average seniorities	10.0(years)	10.6(years)	10.4(years)
Education level (%)	Ph.D.	1%	2%	1%
	Master	13%	12%	13%
	Bachelor	62%	61%	62%
	Senior high school	20%	21%	20%
	Below senior high school	4%	4%	4%

IV. Disbursements of environmental protection

(1) Loss for environmental pollution

	2016	February 28, 2017
Pollution (Type and procedure)	1. Stationary pollution source (air pollution): (1) The Environmental Protection Bureau conducted an unscheduled "equipment component inspection project" at our plant on March 9th, 2016, and the result was TT-7201B, indicating cyclohexane dripping. After inspection, the leakage volume was 8,034 ppm, which exceeded the standard provided in the " Restriction and Emission Standards for Volatile Organic Compounds of Equipment Components in Kaohsiung City." The leakage was also in violation of Paragraph 1, Article 20 of Air Pollution Control Act. The Company was subject to a fine of NTD 100,000 in accordance with Paragraph 1, Article 56 of "Air Pollution Control Act." (2) At 05:51 am on March 17, 2016, the tank pressure was too high due to the malfunction of a panel board in the M03 production process (BR workshop), which caused the exhaust during the production process to be emitted into the exhaust combustion tower. Clear particulate pollutants were generated from the incomplete combustion and emitted into the air and caused pollution, and the plant failed to report to the local competent authority within an hour after the occurrence, which was in violation of Article 32 of Air Pollution Control Act. The Company was subject to a fine of NTD100,000 in accordance with Article 61 of "Air Pollution Control Act." (3) Environmental Protection Bureau conducted the compliance of "Air Pollution Restriction and Emission Standards for Volatile Organic Compounds" at the plant on October 28th, 2016. The Bureau discovered that the usages of exhaust combustion tower on October 14th and 15th were not reported to Environmental Protection Bureau within an hour, which was in violation of Paragraph 2, Article 23 of Air Pollution Control Act. The Company was subject to the fine of NTD200,000, NTD 100,000 for each violation, in accordance with Paragraph 1, Article 56 of "Air Pollution Control Act."	The Kaohsiung City Environmental Protection Bureau visited the plant and inspected the "air pollution emission" and "perimeter odor" and the result indicated that the emission and odor were in compliance with the regulations.

	2016	February 28, 2017
	2. Waste: (1) The plant entrusted Jien-Ping Express Company to remove a batch of discarded rubber absorbing organic solvents on August 26th, 2016, which was in violation of Paragraph 1, Article 28 of Waste Disposal Act and Subparagraph 5, Article 4 of Management Regulations Governing Recycling Plants Acting to Dispose Waste in Kaohsiung City. The Company was subject to a fine a NTD 6,000 in accordance with Paragraph 1, Article 28 and Article 52 of Waste Disposal Act.	
Counterpart, or authority imposing fines	Kaohsiung Factory	No
Compensation and fines	NTD406,000	No
Other loss	No	No

(2) Explanation of measures

1. Corrective measures	
1) Environmental protection capital expenditure to be spent in the following three years	
Pollution prevention equipment to be purchased, or contents of the expenditure	Production process waste gas processing system improvement and implementation of solvent change.
	Reduction in use of solvent and release of volatile organic compounds.
	Replacement of old boilers and chimneys.
	Soil and groundwater pollution investigation and monitoring.
	Wastewater quality improvement through wastewater COD reduction.
	Repairing, maintenance and operation of pollution prevention equipments.
	Reduction and recycling of waste articles
	The fuel for furnaces was changed to natural gas to reduce the greenhouse gas and improve energy saving
Estimated improvement	Compliance with the requirements of environmental protection laws.
	Ensure that consumed of raw materials and reducing the environmental impact.
	Decrease of resident's complaints.
	Maintenance of working environmental quality.
	Avoidance of the prohibition notices.
	Achieve the purpose of saving energy and reducing waste.
	Reduction of the contribution to global warming.
	Reduce energy consumed.
Amount	Total investment amount at NTD557,770,000.
2) Influence after improvement	
Influence on income	Reduce the impairment losses and fines arising from protests and crackdown.
Influence on competitive status	Lowering of downturn ratio and productivity improvements.

2. Parts where no explanation of measures have been taken	
1) Causes	No
2) Status of pollution	No
3) Potential loss and compensation	No

V. Labor relations

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

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

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

Insurance Business: in addition to Labor and Health Insurance as provided by law, the free employee group insurance covering dependents is also offered by the Company. In respect of the labor pension system, it shall be conducted in compliance with the Labor Standards Act and Labor Pension Act. The Company regularly appropriates the retirement reserve fund each month to the retirement reserve fund account to ensure employees' interests in retirement referring to the pension actuarial report provided by actuaries each year and new labor pension system. The Company also holds large-scale events for plant celebration and a year-end party to enhance the interaction with employees. The Company also provides employees with cash gifts for marriage, birth and injury/sickness, funeral assistance)for employees, reimburses employees' meal expenses, designates a dedicated nurse in the medical center, and also provides doctor's diagnosis and medical nursing services.

In respect of employees' training, the rules for employees' training are followed. The training plans are set based on the Company's business policies, units' requirements and relevant laws/regulations, and the general knowledge, professional skills and management ability programs for the newly recruited and employees are handled according to the plans. Meanwhile, the "life-time learning" goal is fulfilled through such training modes as OJT, Off-JT and SD, withthe training fees in 2016 being to the value of NTD 9,725,000. There were about 4,778 trainees. The average training fees per person were NTD6,500 and the training hours per person were 25 hours.

2. Measures for preserving employees' rights and interests:

Since the incorporation of the labor union, the Company has held meetings between employer and labor perio-dically, and negotiated for the laborers? interests and rights through formal meetings. In 2016, the Company *held three meetings in total.*

Furthermore, according to the Labor Standard Law and Accounting Handling Rules on Pension, the Company will contribute the pension fund to the employees' personal accounts in the Bank of Taiwan and Bureau of Labor Insurance on a monthly basis.

Meanwhile, the "Reserve Labor Pension Fund Supervisory Commission" will hold meetings to review the utilization of pension funds periodically to protect the retired employees' interests and rights.

(2) No loss sustained as a result of labour disputes by the Company in 2016 and until February 28, *2017.*

(3) Estimated loss suffered by the Company due to labor disputes currently and in the future, and *explanation measures*

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

VI. Material contracts

Nature	Concerned party	Duration	Contents	Restrictive terms
Joint venture	UBE Industries Ltd., Marubeni Techno Rubber Corporation UBE (Thailand) Co., Ltd	Oct. 20, 1995 until termination of the cooperative relationship	The joint venture for production and sale of BR with the annual capacity of 50,000 tons of BR in Thailand	
Joint venture	UBE Industries Ltd., Marubeni Petrochemicals Investment B.V.	Oct. 26, 2006 until termination of the cooperative relationship	The joint venture for production and sale of BR plant with the annual capacity of 72,000 tons in China	
Technology supply and services	Trimurti Trading Corporation	Dec. 31, 2006 until termination of duration of licensee	Authorize to use SEBS technology	
Technology license	JSC VORONEZHSYNTHEZK AUCHUK	May 27, 2009 until 10 years after the official production	Authorize for production of thermoplastic elastomers with the annual capacity of 50,000 tons	
Joint venture	Indian Oil, Corporation, Marubeni Petrochemicals Investment B. V. Netherlands	Apr. 3, 2010 until termination of the cooperative relationship	The joint venture for production and sales of ESBR plant with the annual capacity of 120,000 tons in India	
Technology license	Indian Synthetic Rubber Private Limited	Sep. 1, 2010 until termination of the cooperative relationship	A license for India Synthetic Rubber Private Co., Ltd. to use ESBR technology	
Joint venture	ARLANXEO Holding B.V	May 7, 2010 until termination of the cooperative relationship	The joint venture for production and sales of NBR plant with the annual capacity of 30,000 tons in China	
Technology license	Arlanxeo – TSRC (Nantong) Chemical Industrial Co., Ltd	Dec. 1, 2010 until termination of the cooperative relationship	A license for Arlanxeo-TSRC (Nantong) Chemical Industrial Co Ltd. to use NBR technology	

Nature	Concerned party	Duration	Contents	Restrictive terms
Joint venture	Fubon Financial Holding Venture Co., Ltd, CPC Corporation, Taiwan	November 8, 2011 until termination of the cooperative relationship	Three factories stated below were built: (1)C5 Separation factory with annual capacity of 150,000 tons; (2)SIS factory with annual capacity of 30,000 tons (3)C5 Tackifiers factory with annual capacity of 19,000 tons	
Technology license	TSRC (Nantong) Industrial Ltd.	January 1, 2012 to January 1, 2022	Extend to a 35,000 ton-SEBS technology licensing	
Technology license	TSRC (Nantong) Industrial Ltd.	January 1, 2014 to December 31, 2023	Authorize to use SIS technology	
Medium-and long-term loan	Bank Of Taiwan	August 28, 2014 to November 25, 2019	Loaned NT$1,000,000,000 million	Loan amount cannot be drawn again.
Medium-and long-term loan	Taipei Fubon Bank	August 28, 2014 to September 25, 2019	Loaned NT$500,000,000 million	Loan amount cannot be drawn again.
Medium-and long-term loan	Mega Bank	October 3, 2014 to November 25, 2019	Loaned NT$500,000,000 million	Loan amount cannot be drawn again.

Overview of financial status

Overview of financial status

TSRC Corporation and its subsidiaries

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

(1) Condensed balance sheet

Unit: NTD in thousands

Fiscal year Item		Financial information for the recent years				
		Individual				
		2016	2015	2014	2013	2012
Current assets		3,885,668	3,532,055	4,303,033	3,836,060	5,247,291
Property, plant and equipment		2,699,834	2,686,179	2,406,647	2,429,360	2,461,725
Intangible assets		37,972	49,355	61,045	79,310	79,012
Other assets		16,125,052	16,128,518	15,321,868	14,559,149	13,403,557
Total assets		22,748,526	22,396,107	22,092,593	20,903,879	21,191,585
Current liability	Before distribution	5,141,128	3,398,866	3,646,329	4,043,157	4,106,642
	After distribution	(Note)	4,274,119	4,901,408	5,120,512	6,151,257
Non-current liability		2,266,177	2,752,556	2,241,604	1,285,525	1,449,793
Total liability	Before distribution	7,407,305	6,151,422	5,887,933	5,328,682	5,556,435
	After distribution	(Note)	7,026,675	7,143,012	6,406,037	7,601,050
Equity attributable to shareholders of the parent		15,341,221	16,244,685	16,204,660	15,575,197	15,635,150
Common stock		8,257,099	8,257,099	8,257,099	7,863,904	7,863,904
Capital surplus		849	849	849	849	849
Retained earnings	Before distribution	5,381,012	5,414,016	6,194,132	6,536,125	7,083,507
	After distribution	(Note)	4,538,763	4,939,053	5,458,770	5,038,892
Other equity		1,702,261	2,572,721	1,752,580	1,174,319	686,890
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total shareholders' equity	Before distribution	15,341,221	16,244,685	16,204,660	15,575,197	15,635,150
	After distribution	(Note)	15,369,432	14,949,581	14,497,842	13,590,535

Note: The earnings in 2016 will be distributed subject to the resolution of the shareholders' meeting in 2017.

Fiscal year Item		Financial information for the recent years				
		Consolidated				
		2016	2015	2014	2013	2012
Current assets		13,627,402	12,389,236	15,659,546	15,295,687	17,697,494
Property, plant and equipment		8,947,258	9,875,244	10,071,167	10,255,107	9,921,124
Intangible assets		2,179,937	2,397,426	2,467,432	2,506,846	2,590,677
Other assets		5,015,330	5,332,079	4,958,508	5,314,724	5,365,783
Total assets		29,769,927	29,993,985	33,156,653	33,372,364	35,575,078
Current liability	Before distribution	9,963,898	7,974,847	10,445,749	10,719,593	11,261,851
	After distribution	(Note)	8,850,100	11,700,828	11,796,948	13,306,466
Non-current liability		2,754,204	3,942,024	4,572,506	5,097,806	6,368,168
Total liability	Before distribution	12,718,102	11,916,871	15,018,255	15,817,399	17,630,019
	After distribution	(Note)	12,792,124	16,273,334	16,894,754	19,674,634
Equity attributable to shareholders of the parent		15,341,221	16,244,685	16,204,660	15,575,197	15,635,150
Common stock		8,257,099	8,257,099	8,257,099	7,863,904	7,863,904
Capital surplus		849	849	849	849	849
Retained earnings	Before distribution	5,381,012	5,414,016	6,194,132	6,536,125	7,083,507
	After distribution	(Note)	4,538,763	4,939,053	5,458,770	5,038,892
Other equity		1,702,261	2,572,721	1,752,580	1,174,319	686,890
Treasury stock		0	0	0	0	0
Non-controlling interest		1,710,604	1,832,429	1,933,738	1,979,768	2,309,909
Total shareholders' equity	Before distribution	17,051,825	18,077,114	18,138,398	17,554,965	17,945,059
	After distribution	(Note)	17,201,861	16,883,319	16,477,610	15,900,444

Note: The earnings in 2016 will be distributed subject to the resolution of the shareholders' meeting in 2017.

Condensed statement of comprehensive income

Unit: NTD in thousands

Fiscal year / Item	Financial information for the recent years				
	Individual				
	2016	2015	2014	2013	2012
Operating revenue	8,831,537	8,636,050	12,265,005	12,934,484	17,056,436
Gross profit	869,843	1,014,433	1,389,526	1,598,652	2,318,736
Operating profit	143,220	295,190	668,983	730,492	1,366,553
Non-operating income and expenses	928,346	-6,465	452,372	748,264	1,332,424
Net income before tax	1,071,566	288,725	1,121,355	1,478,756	2,698,977
Net income	988,352	529,115	1,141,338	1,495,011	2,534,808
Other comprehensive income (loss)	(934,084)	765,989	565,480	489,651	(581,762)
Total comprehensive income	54,268	1,295,104	1,706,818	1,984,662	1,953,046
Net income attributable to shareholders of the parent	988,352	529,115	1,141,338	1,495,011	2,534,808
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to shareholders of the parent	54,268	1,295,104	1,706,818	1,984,662	1,953,046
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
EPS (Note)	1.20	0.64	1.38	1.81	3.07

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

Condensed statement of comprehensive income

Unit: NTD in thousands

Fiscal year / Item	Financial information for the recent years				
	Consolidated				
	2016	2015	2014	2013	2012
Operating revenue	26,955,090	25,981,759	31,868,574	34,422,999	45,364,375
Gross profit	3,880,881	3,375,615	3,963,338	4,267,101	6,036,491
Operating profit	1,764,946	1,396,683	1,939,858	2,064,932	3,967,602
Non-operating income and expenses	(157,636)	(750,683)	(392,314)	37,070	(87,817)
Net income before tax	1,607,310	646,000	1,547,544	2,102,002	3,879,785
Net income	1,093,607	601,147	1,243,746	1,715,482	3,139,901
Other comprehensive income (loss)	(1,072,228)	737,495	624,067	522,061	(692,064)
Total comprehensive income	21,379	1,338,642	1,867,813	2,237,543	2,447,837
Net income attributable to shareholders of the parent	988,352	529,115	1,141,338	1,495,011	2,534,808
Net income attributable to non-controlling interests	105,255	72,032	102,408	220,471	605,093
Total comprehensive income attributable to shareholders of the parent	54,268	1,295,104	1,706,818	1,984,662	1,953,046
Total comprehensive income attributable to non-controlling interests	(32,889)	43,538	160,995	252,881	494,791
EPS (Note)	1.20	0.64	1.38	1.81	3.07

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

(2) Condensed balance sheet – Under ROC GAAP

Unit: NTD in thousands

Fiscal year		Financial information for the recent years			
		Individual		Consolidated	
Item		2012	2011	2012	2011
Current assets		5,257,379	6,970,348	17,778,821	22,211,193
Funds and investment		11,684,596	11,605,591	2,834,775	2,146,686
Fixed assets		2,260,060	2,087,607	9,719,459	8,723,540
Intangible assets		100,145	71,442	3,213,218	3,356,446
Other assets		1,886,340	1,901,065	2,013,195	2,104,709
Total assets		21,188,520	22,636,053	35,559,468	38,542,574
Current liability	Before distribution	4,106,642	3,955,914	10,620,859	11,202,189
	After distribution	6,151,257	7,530,416	12,665,474	14,776,691
Long-term liability		–	–	5,293,081	5,088,720
Other liability		1,272,110	1,512,689	1,525,851	1,558,731
Total liability	Before distribution	5,378,752	5,468,603	17,439,791	17,849,640
	After distribution	7,423,367	9,043,105	19,484,406	21,424,142
Capital stock		7,863,904	7,149,004	7,863,904	7,149,004
Additional paid-in capital		69,003	69,003	69,003	69,003
Retained earnings	Before distribution	7,269,599	8,984,752	7,269,599	8,984,752
	After distribution	5,224,984	5,410,250	5,224,984	5,410,250
Unrealized gain (loss) on financial products		–	–	–	–
Cumulative translation adjustment		688,778	1,002,365	688,778	1,002,365
Net loss not recognized as pension cost		(88,782)	(44,940)	(88,782)	(44,940)
Total shareholders' equity	Before distribution	15,809,768	17,167,450	18,119,677	20,692,934
	After distribution	13,765,153	13,592,948	16,075,062	17,118,432

Condensed income statement – Under ROC GAAP

Unit: NTD in thousands

Fiscal year / Item	Financial information for the recent years			
	Individual		Consolidated	
	2012	2011	2012	2011
Operating revenue	17,056,436	20,612,158	45,364,375	55,075,318
Gross profit	2,312,355	4,519,028	6,030,109	12,329,572
Operating profit (loss)	1,217,126	3,331,817	3,836,279	10,176,146
Non-operating income	1,691,310	3,892,623	387,599	528,255
Non-operating expenses and loss	161,940	189,139	296,574	265,555
Net income before tax	2,746,496	7,035,301	3,927,304	10,438,846
Cumulative effect of changes in accounting principles	–	4,914	–	1,919
Net income	2,574,249	5,741,765	3,179,342	7,481,231
EPS (note)	3.07	6.60	3.07	6.60

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

(4) CPA's name and auditor's opinion

Fiscal year	CPA's name	Auditor's opinion
2016	Po Shu Hung Ann Tine Yu	Unqualified opinion
2015	Po Shu Hung Ann Tine Yu	Unqualified opinion
2014	Po Shu Hung Ann Tine Yu	Unqualified opinion
2013	Po Shu Hung Ann Tine Yu	Unqualified opinion
2012	Mei Hsueh Yang Chia-Hsiu Chen	Unqualified opinion

II. Financial analysis for the recent five fiscal years

(1) Financial analysis

Item	Fiscal year	Financial information for the recent years				
		Individual				
		2016	2015	2014	2013	2012
Financial structure (%)	Debt-asset ratio	32.56	27.47	26.65	25.49	26.22
	Ratio of long-term capital to property, plant and equipment	652.17	707.22	766.47	694.04	694.02
Solvency %	Current ratio	75.58	103.92	118.01	94.88	127.78
	Quick ratio	35.57	53.21	72.05	50.78	73.16
	Interest coverage ratio	19.50	6.89	30.72	50.67	92.25
Operating ability	Receivables turnover rate (times)	7.27	6.19	8.00	7.78	6.85
	Average collection days for receivables	50.21	58.97	45.64	46.92	53.28
	Inventory turnover rate (times)	4.29	4.56	6.42	5.73	6.52
	Payables turnover rate (times)	9.49	12.37	15.49	15.64	15.21
	Average days of sales	85.08	80.04	56.85	63.70	55.98
	Property, plant and equipment turnover rate (times)	3.28	3.39	5.07	5.29	7.18
	Total assets turnover rate (times)	0.39	0.39	0.57	0.61	0.77
Profitability	Return on assets (%)	4.59	2.56	5.45	7.22	11.62
	Return on equity (%)	6.26	3.26	7.18	9.58	15.41
	Ratio of income before tax to paid-in capital (%)	12.98	3.50	13.58	18.80	34.32
	Profit margin before tax (%)	11.19	6.13	9.31	11.56	14.86
	EPS (NTD)	1.20	0.64	1.38	1.81	3.07
Cash flows	Cash flow ratio (%)	2.30	31.33	11.07	42.24	30.03
	Cash flow adequacy ratio (%)	41.65	(Note)	(Note)	(Note)	(Note)
	Cash flow reinvestment ratio (%)	-3.31	-0.79	-2.89	-1.52	-10.68
Leveraging	Operating leverage	21.22	10.53	5.32	1.26	2.47
	Financial leverage	1.68	1.20	1.06	1.04	1.02

1. The current ratio is mainly caused by the increase in current liabilities.
2. The quick ratio is mainly caused by the increase in current liabilities.
3. Times interest earned is mainly caused by the increase in net profit before taxation.
4. Average payables turnover is mainly caused by the increase in average payables.
5. Return on assets is mainly caused by the increase in net profit after taxation.
6. Return on Equity is mainly caused by the increase in net profit after taxation.
7. Net profit before taxation to paid-in capital is mainly caused by the increase in net profit after taxation.
8. Net profit margin is mainly caused by the increase in net profit after taxation.
9. Earnings per share are mainly caused by the increase in net profit after taxation.
10. The cash flow ratio is mainly caused by the decrease in the net operation cash flow.
11. Cash flow reinvestment ratio is mainly caused by the decrease in the net operation cash flow.
12. Leverage is mainly caused by the decrease in operating profits.

Item \ Fiscal year		Financial information for the recent years				
		Consolidated				
		2016	2015	2014	2013	2012
Financial structure (%)	Debt-asset ratio	42.72	39.73	45.29	47.40	49.56
	Ratio of long-term capital to property, plant and equipment	221.36	222.97	225.50	220.89	245.07
Solvency %	Current ratio	136.77	155.35	149.91	142.69	157.15
	Quick ratio	82.41	95.02	93.75	89.73	102.66
	Interest coverage ratio	11.61	5.14	8.77	12.37	18.00
Operating ability	Receivables turnover rate (times)	7.59	7.21	8.03	7.17	6.42
	Average collection days for receivables	48.08	50.62	45.45	50.90	56.85
	Inventory turnover rate (times)	4.54	4.25	4.86	5.13	5.98
	Payables turnover rate (times)	14.71	16.85	19.55	18.45	18.07
	Average days of sales	80.39	85.88	75.10	71.15	61.04
	Property, plant and equipment turnover rate (times)	2.86	2.61	3.14	3.36	4.81
	Total assets turnover rate (times)	0.90	0.82	0.96	1.00	1.22
Profitability	Return on assets (%)	4.08	2.31	4.24	5.42	8.95
	Return on equity (%)	6.23	3.32	6.97	9.66	16.22
	Ratio of income before tax to paid-in capital (%)	19.47	7.82	18.74	26.73	49.34
	Profit margin before tax (%)	4.06	2.31	3.90	4.98	6.92
	EPS (NTD)	1.20	0.64	1.38	1.81	3.07
Cash flows	Cash flow ratio (%)	9.11	52.71	19.49	39.19	52.90
	Cash flow adequacy ratio (%)	103.78	(Note)	(Note)	(Note)	(Note)
	Cash flow reinvestment ratio (%)	-0.18	8.62	2.27	4.99	2.23
Leveraging	Operating leverage	5.76	6.88	4.93	1.15	2.23
	Financial leverage	1.09	1.13	1.11	1.10	1.06

1. Times interest earned is mainly caused by the increase in net profit before taxation.
2. Return on assets is mainly caused by the increase in net profit after taxation.
3. Return on Equity is mainly caused by the increase in net profit after taxation.
4. Net profit before taxation to paid-in capital is mainly caused by the increase in net profit after taxation.
5. Net profit margin is mainly caused by the increase in net profit after taxation.
6. Earnings per share are mainly caused by the increase in net profit after taxation.
7. The cash flow ratio is mainly caused by the decrease in the net operation cash flow.
8. Cash flow reinvestment ratio is mainly caused by the decrease in the net operation cash flow.

1. Financial structure:

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

2. Solvency:

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

3. Operating ability:

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

4. Profitability:

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

5. Cash flow:

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

6. Leveraging:

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

(2) Financial analysis – Under ROC GAAP

Fiscal year Item			Financial information for the recent years			
			Individual		Consolidated	
			2012	2011	2012	2011
Financial structure (%)	Debt-asset ratio		25.39	24.16	49.04	46.31
	Ratio of long-term capital to fixed assets		699.53	822.35	240.89	295.54
Solvency %	Current ratio		128.02	176.20	167.40	198.28
	Quick ratio		73.18	117.35	110	135
	Interest coverage ratio		94	363	18	52
Operating ability	Receivables turnover rate (times)		6.70	8.20	6.42	8.06
	Average collection days for receivables		54	45	57	45
	Inventory turnover rate (times)		6.34	7.66	5.75	7.69
	Payables turnover rate (times)		15.32	14.97	18.07	18.99
	Average days for sales		58	48	63	47
	Fixed assets turnover rate (times)		7.55	9.87	4.67	6.31
	Total assets turnover rate (times)		0.80	0.91	1.28	1.43
Profitability	Return on assets (%)		11.44	29.06	9.09	24.05
	Return on shareholders' equity(%)		15.61	38.12	16.38	41.72
	Ratio to paid-in capital %	Operating income	15.48	46.61	48.78	144.08
		Income before tax	34.93	98.41	49.94	146.02
	Profit margin before tax (%)		15.09	27.86	7.01	13.58
	EPS (loss) (NTD)(Note)		3.11	6.95	3.11	6.95
Cash flows	Cash flow ratio (%)		65.37	60.01	55.73	50.63
	Cash flow adequacy ratio (%)		80.21	92.50	76.69	80.62
	Cash flow reinvestment ratio (%)		(3.66)	0.39	1.67	6.82
Leveraging	Operating leverage		2.77	1.99	2.31	1.75
	Financial leverage		1.02	1.01	1.06	1.02

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

1. Financial structure:

1) Debt-asset ratio＝total liabilities／total assets

2) Ratio of long-term capital to fixed assets = (net shareholders' equity + long-term liabilities)／net worth of fixed assets

2. Solvency:

1) Current ratio＝current assets／current liabilities

2) Quick ratio＝ (current assets inventory－prepaid expenses)／current liabilities

3) Interest coverage ratio = income before income tax and interest expenses／current interest expenses

3. Operating ability:

1) Receivables (including accounts receivable and notes receivable arising from business operations) turnover rate = net sales／average receivables (including accounts receivable and notes receivable arising from business operations) for each period

2) Average collection days for receivables = 365／receivables turnover rate

3) Inventory turnover rate = cost of sales／average inventory

4) Payables (including accounts payable and notes payable arising from business operations) turnover rate = cost of sale／average payables (including accounts payable and notes payable arising from business operations) for each period

5) Average days of sale = 365／inventory turnover rate

6) Fixed assets turnover rate = net sales／averate net worth of fixed assets

7) Total asset turnover rate = net sales／average total assets

4. Profitability:

1) Return on assets = [net income + interest expenses (1－tax rate)]／average total assets

2) Return on shareholders' equity = net income／average shareholder's equity

3) Profit margin before tax = net income／net sales

4) EPS＝(net profit after tax－dividends on preferred shares)／weighted average number of issued shares

5. Cash flow:

1) Cash flow ratio = net cash flow from operating activities／current liabilities

2) Net cash flow adequacy ratio = net cash flow from operating activities for the most recent five years ／(capital expenditures + inventory increase + cash dividend)

3) Cash flow reinvestment ratio = (net cash flow from operating activities－cash dividend)／gross fixed assets value + long-term investment + other assets + working capital)

6. Leveraging:

1) Operating leverage = (net operating revenue－variable operating costs and expenses)／operating income

2) Financial leverage = operating income／(operating income－interest expenses)

III. Audit Committee's report on for the most recent fiscal year's financial statements

The Board of Directors has prepared and submitted the Company's 2016 Business Report, Financial Statements and earnings distribution proposal. The above Financial Statements have been audited by KPMG and an audit report is accordingly issued .

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

To:
The 2017 Annual Shareholders' Meeting

TSRC Corporation

The convener of Audit Committee Robert Hung

Date: March 16, 2017

IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year- Please refer to Page 99.

V. Individual financial statements and independent auditors' report for the most recent fiscal year-Please refer to Page 155.

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

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

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

TSRC Corporation and its subsidiaries

I. Financial position:

Unit: NTD in thousands

Fiscal year / Item	2016	2015	Variation	
			Amount	%
Current assets	13,627,402	12,389,236	1,238,166	9.99%
Property, plant and equipment	8,947,258	9,875,244	(927,986)	-9.40%
Intangible assets	2,179,937	2,397,426	(217,489)	-9.07%
Other assets	5,015,330	5,332,079	(316,749)	-5.94%
Total assets	29,769,927	29,993,985	(224,058)	-0.75%
Current liabilities	9,963,898	7,974,847	1,989,051	24.94%
Non-current liabilities	2,754,204	3,942,024	(1,187,820)	-30.13%
Total liabilities	12,718,102	11,916,871	801,231	6.72%
Capital stock	8,257,099	8,257,099	0	0.00%
Capital Surplus	849	849	0	0.00%
Retained earnings	5,381,012	5,414,016	(33,004)	-0.61%
Total shareholders' equity	17,051,825	18,077,114	(1,025,289)	-5.67%

Description for significant changes (the change between the previous and later term reaches 20% and the amount of the change reaches NT$10 million or more):

1. The increase in current liabilities is mainly caused by the increase in short-term operating funds.
2. The decrease in non-current liabilities is mainly caused by the repayment of long-term borrowings.

II. Financial performance:

(1) Analysis and comparison of financial performance

Unit: NTD in thousands

Fiscal year Item	2016	2015	Amount change	Percentage change (%)
Revenue	26,955,090	25,981,759	973,331	3.75%
Operating cost	23,074,209	22,606,144	468,065	2.07%
Gross profit	3,880,881	3,375,615	505,266	14.97%
Operating expenses	2,247,170	2,140,505	106,665	4.98%
Other income and expenses	131,235	161,573	(30,338)	-18.78%
Operating profit	1,764,946	1,396,683	368,263	26.37%
Non-operating revenues and gains	(157,636)	(750,683)	593,047	-79.00%
Net income before tax	1,607,310	646,000	961,310	148.81%
Less: income tax expenses	513,703	44,853	468,850	1045.30%
Net income	1,093,607	601,147	492,460	81.92%

Notes to changes:

1. *Please refer to the description in the "analysis table for the change in operating gross profit."*
2. *The increase in non-operating revenues and gains is mainly caused by the recognition of THSR capital reduction for covering accumulated losses and the decrease of losses in reinvestment of the current term.*
3. *The increase in income tax is mainly caused by the increase in profits in the current term.*

Sales volume forecast and the basis there of

Unit: ton

Name of product	2016	
	Sales volume fore cast	Basis
SBR, BR, TPE	493,946	Subject to the requirement of the market and customers
TPR	10,112	Subject to the requirement of the market and customers forecast growth
Total	504,058	

(2) Analysis of the change in gross profit

Unit: NTD in thousands

Product	Change	Causes for changes			
		Difference in selling price	Difference in cost price	Difference in sale portfolio	Difference in quantity
Rubber products	513,887	(439,833)	773,176	3,551	176,993
Others	(8,621)				
Total	505,266				

Description: The increase in the operating gross profit in the current fiscal year compared to the last fiscal year is mainly caused by the fall of costs of products is greater than the fall of the sales price in the current fiscal year.

III. Cash flow:

Cash balance at the beginning	Net cash flow from operating activities of the year	Cash inflow (outflow) of the year	The impact of exchange rate fluctuation on cash	Remainder (deficit) of cash	Remedy for insufficient cash	
					Investment plan	Financial plan
3,981,288	907,971	(969,943)	(410,976)	3,508,340	—	—

(1) Analysis of change in cash flow in the current year:

1. Operating activities: This mainly comes from the cash inflow of NT$2,848,186 thousand generated from income items, cash outflow of NTD1,400,369 thousand generated from the net changes of operating assets and liabilities, net interest expense of NTD112,687 thousand and income tax payment of NTD427,159 thousand.
2. Investing activities: NTD582,033 thousand in cash used in investing activities is mainly resulting from an acquisition of property, plant, and equipment of NTD501,233 thousand, an acquisition of investment at equity of NTD222,629 thousand, and a stock dividend received of NTD106,491 thousand.
3. Financing activities: The net cash outflow of NTD387,910 thousand generated from financing is mainly caused by the net increase of NTD1,979,985 thousand of short-term loans, net decrease of NTD299,915 thousand of short-term notes and bills payables, an amount of NTD1,097,803 thousand of long-term loan repayment, and cash dividend appropriation of NTD963,742 thousand.

(2) Corrective measures to be taken in response to illiquidity: None

(3) Liquidity analysis for the coming year:

Unit: NTD in thousands

Cash balance at the beginning(1)	Projected cash flow from operation of the year (2)	Projected cash outflow of the year(3)	Projected remainder (deficit) of cash (1)+(2)- (3)	Remedy for insufficient cash	
				Investment plan	Financial plan
3,508,340	2,064,000	(1,645,000)	3,927,340	—	—

IV. Effect upon financial operations of any major capital expenditure

(1) Major capital expenditure condition and source of funding.

Item	Sources of funds	Actual or intended Completion Date	Amount	Year	
				2015	2016
Automation reform and adding the 4th line in Gangshan compounding factory	Capital in hand and loans.	June 2017	142,700	72,700	70,000

(2) Benefits generated: Expected to increase profitability.

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

In light of the reinvestment policy, the Company actively enters the area of special rubber and develops products with high gross margin and high-added values to increase the overall operation performance of the Company.

VI. Analysis and assessment of risk management

(1) The effect of interest rate and exchange rate fluctuation and inflation on the profit of the Company and the response measures to be taken in the futnre

Impact on the net income of the Company:

Unit: NTD in thousands

Item	Amount	Accounting for the percentage of net operating revenues	Accounting for the percentage of net profit before taxation
Net interest income (expense)	(108,674)	(0.40%)	(6.76%)
Net exchange gain (loss)	(14,738)	(0.05%)	(0.92%)

Interest rate change:

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

Exchange rate fluctuation:

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

Inflation:

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

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

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

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

Unit: NTD in thousands

Project name	Expected R&D spending
Develop SSBR product of high-performance green and energy saving tires and establish core technology capacity	60,000
Develop high value-added TPE products	150,000
Develop customized applied materials for shoes	60,000
Develop new production process technology platform	30,000

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

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

(5) Effect on the company's financial operations of developments in science and technology as well as industrial change, and measures to be taken in response: No

(6) Effect on the company's crisis management of changes in the company's corporate image, and measures to be taken in response:

The Company adheres to the value highlighting honesty and integrity, reward for innovation and teamwork, namely, take social responsibility and continue innovation and development, cherish resources on the earth and enhance welfare for humans, fulfill business performance and become leading enterprise. Meanwhile, the Company is dedicated to providing high value-added products and systematic resolutions through the production process respecting environmental protection and, therefore, becomes the first priority of high polymer material suppliers.

The Company will work with customers to create the competitive strength and complete the mission successfully. The Company's corporate identity highlighting the creation of fine-quality life for the social public remains unchanged. Also, no corporate risk took place in the Company.

(7) Expected benefits and possible risks associated with any merger and acquisitions, and mitigation measures being or to be taken: No

(8) Expected benefits and possible risks associated with any plant expansion and mitigation measures being or to be taken : No

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

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

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

(10) Effect upon and risk to the company in the event a major quantity of shares belonging to a director, supervisor, or shareholder holding greater than a 10 percent stake in the company has been transferred or has otherwise changed hands, and mitigation measures being or to be taken: No

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

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

(13) Other important risks, and mitigation measures being or to be taken: No

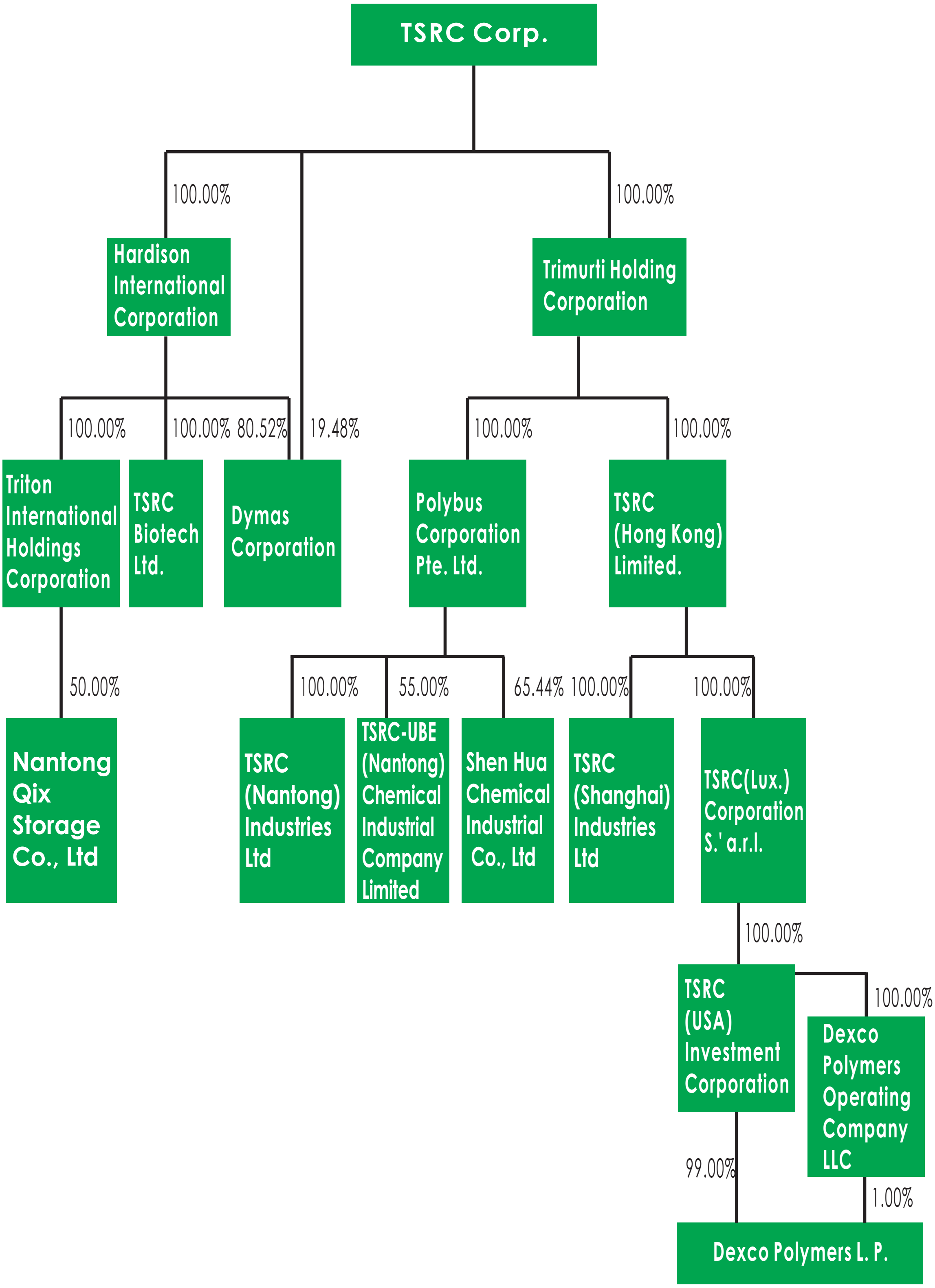
VII. Others important matters: No

Special items to be included

Special items to be included

I. Information related to the Company's affiliates

(1) Organizational chart of affiliates



(2) Profiles of the Company's affiliates

Name of enterprise	Date of incorporation	Address	Paid-in capital	Main business
Trimurti Holding Corporation	1994.03.10	Palm Grove, House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD86,920,000	Investment corporation
Hardison International Corporation	1994.03.11	Palm Grove, House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD3,896,000	Investment corporation
Dymas Corporation	1991.03.19	Palm Grove, House, P.O. Box 438, Road Town, Tortola, B.V.I.	USD5,960,000	Investment corporation
Polybus Corporation Pte Ltd	1995.02.25	100 Peck Seah Street #09-16 Singapore 079333	SGD105,830,000	Trading and investment corporation
TSRC (Hong Kong) Limited	2008.03.19	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	USD77,850,000	Investment corporation
Triton International Holdings Corporation	1993.05.24	Palm Grove House P.O. Box 438, Road Town, Tortola, B.V.I.	USD50,000	Investment corporation
TSRC Biotech Ltd	1997.08.07	4th Fl.,Harbour Centre, P.O.BOX613, George Town, Grand Cayman	USD3,020,000	Investment corporation
TSRC (Lux.) Corporation S.' a. r. l.	2011.07.26	34-36 Avenue de la Liberte, L-1930 Luxembourg	EUR50,800,000	Trading and investment corporation
TSRC (USA)Investment Corporation	2011.01.27	2711 Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware, 19808	USD70,050,000	Investment corporation
Dexco Polymers L. P.	2002.02.20	12012 Wickchester Lane, Suite 280, Houston, TX 77079	Note 1	Production and sale of TPE
TSRC (Shanghai) Industries Ltd	2001.02.22	No. 1406, Yu Shu Road, Hi-tech Park Songjiang Zone, Shanghai, P.R.C.	USD5,500,000	Production and sale of compounding materials
Shen Hua Chemical Industrial Co., Ltd	1996.03.29	NO.1 Shen Hua Road, Nantong Economic & Technology Development Area, Nantong Jiangsu, P.R.C.	USD41,220,000	Production and sale of synthetic rubber products
TSRC (Nantong) Industries Ltd	2006.09.05	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD69,125,000	Production and sale of TPE
TSRC-UBE (Nantong) Chemical Industrial Company Limited	2006.12.06	No. 22 Tong Wang Road, Nantong Economic & Technological Development Area, Nantong Jiangsu, P.R.C.	USD40,000,000	Production and sale of butadiene rubber
Nantong Qix Storage Co., Ltd	2004.04.28	No. 111 He Xing Road, Nantong Economic & Technological Development Area, Nantong, Jiangsu, P.R.C.	USD3,000,000	Storehouse for chemicals

Note 1: TSRC (USA) Investment Corporation acquired 100% of equities of Dexco Polymers Operating Company LLC and Dexco Dexco Polymers LP with USD192,617 thousand in 2011.

Note 2: TSRC (USA) Investment Corporation is a limited liability partner of Dexco Polymers L.P.; Dexco Polymers Operating Company LLC is a general partner of Dexco Polymers L.P. that is not involved in the actual operation. Thus, relevant information of Dexco Polymers Operating Company LLC is not additionally disclosed.

(3) Companies presumed to have a relationship of control and subordination: No

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

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

(5) Profiles of Directors, Supervisors and Presidents of the Company's affiliates:

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
Trimurti Holding Corporation	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Edward Wang	–	–
Hardison International Corporation	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
Dymas Corporation	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
Polybus Corporation Pte Ltd	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Edward Wang	–	–
TSRC (Hong Kong) Limited	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
	Director	Edward Wang	–	–
TSRC (Lux.) Corporation S.'a r.l.	Director	Wing-Keung Hendrick Lam	–	–
	Director	Edward Wang	–	–
	Director	Max Tsai	–	–
	Director	David Maria	–	–
	President	Juergen Schneider	–	–
TSRC(USA) Investment Corporation	Director	Wing-Keung Hendrick Lam	–	–
	Director	Edward Wang	–	–
	Director	Max Tsai	–	–
	President	Wing-Keung Hendrick Lam	–	–
Triton International Holdings Corporation	Director	Joseph Chai	–	–
	Director	Edward Wang	–	–
TSRC Biotech Ltd	Director	Joseph Chai	–	–
	Director	Wing-Keung Hendrick Lam	–	–
Dexco Polymers L.P.	President	Max Tsai	–	–

Name of enterprise	Job title	Name of representative	Shares held	
			Share(s)	Shareholding
TSRC (Shanghai) Industries Ltd	Chairman	Wing-Keung Hendrick Lam	–	–
	Director	Huang-Cheng Kuo	–	–
	Director	Chin-Bao Lu	–	–
	Supervisor	Edward Wang	–	–
	Acting President	Vincent Chen	–	–
Shen Hua Chemical Industrial Co., Ltd	Chairman	Joseph Chai	–	–
	Director	R. L. Chiu	–	–
	Director	Edward Wang	–	–
	Director	Tsu-Ti Liu	–	–
	Director	Chao Yang Jiang	–	–
	Director	Qiang Xin Lu	–	–
	Director	Mr. Norihiro Furukawa	–	–
	President	Chao Yang Jiang	–	–
TSRC (Nantong) Industries Ltd	Chairman	Wing-Keung Hendrick Lam	–	–
	Director	Chin-Bao Lu	–	–
	Director	Calvin Su	–	–
	Supervisor	Edward Wang	–	–
	President	Calvin Su	–	–
TSRC-UBE (Nantong) Chemical Industrial Company Limited	Chairman	Joseph Chai	–	–
	Director	R. L. Chiu	–	–
	Director	Tsu-Ti Liu	–	–
	Director	Matsuo Norihide	–	–
	Director	Mr. Norihiro Furukawa	–	–
	Supervisor	Edward Wang	–	–
	President	Jim Chien	–	–
Nantong Qix Storage Co., Ltd	Chairman	Joseph Chai	–	–
	Director	Chao Yang Jiang	–	–
	Director	Hongjun Zhang	–	–
	Director	Cheng Qi	–	–

(6) Overview of operation in of affiliates

Unit: NTD in thousands

Name of enterprise	Capital	Total assets	Total liabilities	Net worth	Operating revenue	Operating income (loss)	Gain/loss current period (after tax)	EPS after tax (NTD)
Trimurti Holding Corporation	2,801,769	11,791,223	6,158	11,785,065	–	(42,744)	940,751	10.82
Hardison International Corporation	125,769	807,320	2	807,318	–	(266)	68,951	17.70
Dymas Corporation	192,369	859,458	–	859,458	–	(60)	80,161	13.45
Polybus Corporation Pte Ltd	2,324,088	7,072,666	110,203	6,962,463	782,657	22,465	802,258	7.58
TSRC (Hong Kong) Limited	2,512,920	3,073,190	–	3,073,190	–	(934)	181,214	2.33
Triton International Holdings Corporation	1,614	107,846	–	107,846	–	(34)	4,668	93.36
TSRC Biotech Ltd	97,483	5	–	5	–	–	–	–
TSRC (Lux.) Corporation S.' a. r. l.	1,722,628	3,295,564	670,692	2,624,872	2,345,659	(13,714)	112,945	2.22
TSRC (USA) Investment Corporation	2,261,144	3,794,796	1,215,679	2,579,117	–	(192,440)	130,240	1.86
Dexco Polymers L.P.	–	2,138,640	513,331	1,625,309	4,012,965	390,546	384,053	–
TSRC (Shanghai) Industries Ltd	177,535	372,422	62,435	309,987	485,078	78,428	71,597	–
Shen Hua Chemical Industrial Co., Ltd	1,330,540	3,647,522	778,634	2,868,888	7,425,774	497,808	367,891	–
TSRC (Nantong) Industries Ltd	2,231,286	4,732,778	1,442,748	3,290,030	4,129,142	886,845	648,988	–
TSRC-UBE (Nantong) Chemical Industrial Company Limited	1,291,160	2,555,791	1,085,391	1,470,400	2,296,213	(37,526)	(58,446)	–
Nantong Qix Storage Co., Ltd	96,837	145,442	11,532	133,910	42,142	(11,226)	8,825	–

(Note) Spot exchange rate on the balance sheet date under the title of assets=USD1:NTD 32.279.
Spot exchange rate on the balance sheet date under the title of income=USD1:NTD 32.3224.

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

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

IV. Other matters that require additional description: No.

Other disclosures

Other disclosures

I. The relevant license acquired by the personnel related to transparency of financial information as specified by the competent authority

Basic proficiency test of enterprise internal control held by Securities and Futures Institute (SFI): 3 persons in Accounting Department The R.O.C. Qualified Internal Auditors: 2 persons in Audit Office

License for Share Registration Personnel from Securities and Futures Institute: 5 persons in Accounting Department

CPA license: 2 persons in Finance Division

II. Employees' ethics

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

III. Protection measures for working environment and employees' safety

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

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

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

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

Any circumstances referred to in Paragraph 3(2) of Article 36 of the Securities and Exchange Act which might materially affect shareholders' equity or the price of the Company's securities-No.

V. Consolidated financial statement

Representation Letter

The entities that are required to be included in the combined financial statements of TSRC Corporation as of and for the year ended December 31, 2016, under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with the International Financial Reporting Standards No. 10, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TSRC Corporation and subsidiaries do not prepare a separate set of combined financial statements.

Company name: TSRC Corporation

Chairman: Wang Shao Yu

Date: March 16, 2017

Independent Auditor's Report

To the Board of Directors of TSRC Corporation:

Opinion

We have audited the consolidated financial statements of TSRC Corporation and subsidiaries (“the Group”), which comprise the consolidated statement of financial position as of December 31, 2016 and 2015, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the years ended December 31, 2016 and 2015, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IASs”), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 2016. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1.Revenue recognition

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

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Group's finance or operating performance. Therefore, the accuracy of the timing and amount of revenue recognized has significant impact on the financial statements. Therefore, we consider it as a key audit matter.

How the matter was addressed in our audit:

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

2.Inventory measurement

Please refer to note 4(h), note 5, and note 6(d) for disclosures related to inventory measurement.

Description of key audit matter:

The inventory of the Group includes various types of synthetic rubber and its raw material. Since there is an oversupply and a low market demand in the rubber manufacturing industry, which may result in a decline on the price of raw material, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider it as a key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand management's accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the bases used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

Other Matter

TSRC Corporation and subsidiaries has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2016 and 2015, on which we have issued an unqualified opinion.

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Ann-Tien Yu.

KPMG
Taipei, Taiwan (Republic of China)
March 16, 2017

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollar)

	Dec.31, 2016		Dec.31, 2015	
Assets	**Amount**	%	**Amount**	%
Current assets:				
Cash and cash equivalents (note 6(a))	$ 3,508,340	12	3,981,288	13
Notes receivable, net (note 6(c))	657,959	2	616,258	2
Accounts receivable, net (note 6(c))	3,286,913	11	2,545,060	8
Other receivable (notes 6(c) and 7)	132,978	1	154,535	1
Current income tax assets	55,785	–	54,161	–
Inventories (note 6(d))	5,379,908	18	4,782,543	16
Other current assets (note 6(j))	605,519	2	255,391	1
Total current assets	13,627,402	46	12,389,236	41
Non-current assets:				
Available-for-sale financial assets—non-current (note 6(b))	1,336,406	5	1,502,347	5
Investments accounted for under equity method (note 6(e) and 7)	1,236,754	4	1,309,765	4
Property, plant and equipment (notes 6(g) and 9)	8,947,258	30	9,875,244	33
Investment property (note 6(h))	1,625,775	5	1,640,500	6
Intangible assets (note 6(i))	2,179,937	7	2,397,426	8
Deferred income tax assets (note 6(o))	321,717	1	346,311	1
Other non-current assets (notes 6(j) and 8)	494,678	2	533,156	2
Total non-current assets	16,142,525	54	17,604,749	59
Total assets	$ 29,769,927	100	29,993,985	100

See accompanying notes to these financial Statements (Continued)

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollar)

	Dec.31, 2016		Dec.31, 2015	
Liabilities and Stockholders' Equity	**Amount**	**%**	**Amount**	**%**
Current liabilities:				
Short-term borrowings (notes 6(k) and 8)	$ 5,846,074	20	3,992,948	13
Current portion of long-term borrowings (notes 6(k) and 8)	813,171	3	861,391	3
Short-term commercial paper payable (note 6(k))	–	–	299,915	1
Accounts payable	1,779,577	6	1,341,422	4
Accounts payable–related parties (note 7)	2,535	–	13,195	–
Current income tax liabilities	72,878	–	81,589	–
Other payable (notes 6(l), 6(w), 6(t) and 7)	1,250,649	4	1,124,315	4
Other current liabilities (note 6(k))	199,014	1	260,072	1
Total current liabilities	9,963,898	34	7,974,847	26
Non-current liabilities:				
Long-term borrowings (notes 6(k) and 8)	1,806,586	6	2,886,395	10
Provision liabilities–non-current (note 7)	22,958	–	32,351	–
Deferred income tax liabilities (note 6(o))	670,435	2	598,150	2
Other non-current liabilities (notes 6(e), 6(k) and 6(n))	254,225	1	425,128	1
Total non-current liabilities	2,754,204	9	3,942,024	13
Total liabilities	12,718,102	43	11,916,871	39
Equity attributable to shareholders of the parent (notes 6(o), 6(p) and 6(v)):				
Common stock	8,257,099	28	8,257,099	28
Capital surplus	849	–	849	–
Retained earnings:				
Legal reserve	3,671,676	12	3,618,765	12
Unappropriated earnings	1,709,336	6	1,795,251	6
	5,381,012	18	5,414,016	18
Other equities:				
Financial statement translation differences for foreign operations	990,359	3	1,672,819	6
Unrealized gain on valuation of available-for-sale financial assets	735,464	2	899,902	3
Loss on effective portion of cash flow hedges	(23,562)	–	–	–
	1,702,261	5	2,572,721	9
Total stockholders' equity	15,341,221	51	16,244,685	55
Non-controlling interests	1,710,604	6	1,832,429	6
Total equity	17,051,825	57	18,077,114	61
Total liabilities and stockholders' equity	$ 29,769,927	100	29,993,985	100

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang　　Manager :Joseph Chai　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
For the years ended December 31, 2016 and 2015
(expressed in thousands of New Taiwan dollars)

	2016		2015	
	Amount	%	**Amount**	%
Revenue (notes 6(r) and 7)	$ 26,955,090	100	25,981,759	100
Operating costs (notes 6(d), 6(g), 6(i), 6(j), 6(m), 6(n), 6(s) and 7)	23,074,209	86	22,606,144	87
Gross profit	3,880,881	14	3,375,615	13
Operating expenses (notes 6(c), 6(g), 6(j), 6(m), 6(n) and 6(s)):				
Selling expenses	931,596	3	980,118	4
General and administrative expenses	968,874	3	831,773	3
Research and development expenses	346,700	1	328,614	1
Total operating expenses	2,247,170	7	2,140,505	8
Other income and expenses, net (note 6(h), 6(l), 6(m), 6(n), 6(t) and 7)	131,235	–	161,573	–
Operating profit	1,764,946	7	1,396,683	5
Non-operating income and expenses (notes 6(b), 6(e), 6(f) and 6(u)):				
Interest income	42,883	–	86,463	–
Other gains and losses	40,286	–	(363,201)	(1)
Finance costs	(151,557)	(1)	(156,099)	(1)
Share of loss of associates and joint ventures accounted for under equity method	(89,248)	–	(317,846)	(1)
Total non-operating income and expenses	(157,636)	(1)	(750,683)	(3)
Net income before tax	1,607,310	6	646,000	2
Less: income tax expenses (note 6(o))	513,703	2	44,853	–
Net income	1,093,607	4	601,147	2
Other comprehensive income (loss) (notes 6(n), 6(p) and 6(v)):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the defined benefit plans	(63,624)	–	(54,152)	–
Income tax benefit (expense) related to items that will not be reclassified subsequently	–	–	–	–
Total Items that will not be reclassified subsequently to profit or loss	(63,624)	–	(54,152)	–
Items that may be reclassified subsequently to profit or loss:				
Financial statements translation differences for foreign operations	(780,648)	(3)	121,154	–
Unrealized gain on valuation of available-for-sale financial assets	(164,438)	(1)	716,695	3
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	(63,518)	–	(46,202)	–
Income tax expense relating to components of other comprehensive income (loss)	–	–	–	–
Total Items that may be reclassified subsequently to profit or loss	(1,008,604)	(4)	791,647	3
Other comprehensive income (loss), net of tax	(1,072,228)	(4)	737,495	3
Total comprehensive income	$ 21,379	–	1,338,642	5
Net income attributable to:				
Shareholders of the parent	$ 988,352	4	529,115	2
Non-controlling interests	105,255	–	72,032	–
	$ 1,093,607	4	601,147	2
Total comprehensive income attributable to:				
Shareholders of the parent	$ 54,268	–	1,295,104	5
Non-controlling interests	(32,889)	–	43,538	–
	$ 21,379	–	1,338,642	5
Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(q))	$ 1.20		0.64	

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang　　Manager :Joseph Chai　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	Equity attributable to shareholders of the parent											
			Retained earnings			Other equity adjustments						
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total	Financial statement translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets	Loss on effective portion of cash flow hedges	Total	Total equity attributable to shareholders of the parent	Non-controlling interests	Total
Balance at January 1, 2015	$ 8,257,099	849	3,504,631	2,689,501	6,194,132	1,569,373	183,207	–	1,752,580	16,204,660	1,933,738	18,138,398
Appropriations and distributions:												
Legal reserve	–	–	114,134	(114,134)	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	(1,255,079)	(1,255,079)	–	–	–	–	(1,255,079)	(144,847)	(1,399,926)
Net income	–	–	–	529,115	529,115	–	–	–	–	529,115	72,032	601,147
Other comprehensive income (loss)	–	–	–	(54,152)	(54,152)	103,446	716,695	–	820,141	765,989	(28,494)	737,495
Total comprehensive income (loss)	–	–	–	474,963	474,963	103,446	716,695	–	820,141	1,295,104	43,538	1,338,642
Balance at December 31, 2015	$ 8,257,099	849	3,618,765	1,795,251	5,414,016	1,672,819	899,902	–	2,572,721	16,244,685	1,832,429	18,077,114
Appropriations and distributions:												
Legal reserve	–	–	52,911	(52,911)	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	(875,253)	(875,253)	–	–	–	–	(875,253)	(88,936)	(964,189)
Net income	–	–	–	988,352	988,352	–	–	–	–	988,352	105,255	1,093,607
Other comprehensive income (loss)	–	–	–	(63,624)	(63,624)	(682,460)	(164.438)	(23,562)	(870,460)	(934,084)	(138,144)	(1,072,228)
Total comprehensive income (loss)	–	–	–	924,728	924,728	(682,460)	(164.438)	(23,562)	(870,460)	54,268	(32,889)	21,379
Change in ownership interests in subsidiaries	–	–	–	(82,479)	(82,479)	–	–	–	–	(82,479)	–	(82,479)
Balance at December 31, 2015	$ 8,257,099	849	3,671,676	1,709,336	5,381,012	990,359	735,464	(23,562)	1,702,261	15,341,221	1,710,604	17,051,825

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang Manager :Joseph Chai Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
For the years ended December 31, 2016 and 2015
(expressed in thousands of New Taiwan dollars)

	2016	2015
Cash flows from operating activities:		
Consolidated net income before tax	$ 1,607,310	646,000
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation	914,745	921,208
Amortization	170,370	175,169
Provision for bad debt	–	2,103
Interest expenses	151,557	156,099
Interest income	(42,883)	(86,463)
Dividend income	(64,021)	(67,755)
Share of loss of associates and joint ventures accounts for under equity method	89,248	317,846
Losses on disposal of property, plant and equipment, net	10,795	13,751
Gain on disposal of investments, net	–	(82,784)
Impairment loss on financial assets	–	300,000
Impairment loss on non-financial assets	–	7,072
Amortization of long-term prepaid rent	11,065	11,786
Total adjustments to reconcile profit and loss	1,240,876	1,668,032
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	(41,701)	36,191
Accounts receivable	(741,838)	841,443
Other receivable	21,635	113,632
Inventories	(597,365)	1,061,384
Other current assets	(350,128)	65,293
Total changes in operating assets, net	(1,709,397)	2,117,943
Net changes in operating liabilities:		
Accounts payable	438,155	47,295
Accounts payable－related-parties	(10,660)	(20,694)
Other payable	145,088	69,498
Other current liabilities	(61,058)	27,316
Net defined benefit liabilities	(200,210)	(13,179)
Other operating liabilities	(2,287)	(22,515)
Total changes in operating liabilities, net	309,028	87,721
Total changes in operating assets / liabilities, net	(1,400,369)	2,205,664
Total adjustments	(159,493)	3,873,696
Cash provided by operating activities	1,447,817	4,519,696
Interest income received	36,672	83,776
Interest paid	(149,359)	(156,669)
Income tax paid	(427,159)	(243,544)
Net cash provided by operating activities	907,971	4,203,259

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2016 and 2015
(expressed in thousands of New Taiwan dollars)

	2016	2015
Cash flows from investing activities:		
Increase in long-term investments accounted for under equity method	(222,629)	(310,700)
Proceeds from disposal of subsidiaries	–	996
Acquisition of property, plant and equipment	(501,233)	(836,272)
Proceeds from disposal of property, plant and equipment	722	791
Decrease (increase) in other non-current assets	34,616	79,661
Dividend received	106,491	157,299
Net cash used in investing activities	(582,033)	(908,225)
Cash flows from financing activities:		
Increase in short-term borrowings	19,983,342	18,688,181
Decrease in short-term borrowings	(18,003,357)	(20,207,824)
Increase in short-term commercial paper payable	1,518,221	8,454,171
Decrease in short-term commercial paper payable	(1,818,136)	(8,658,582)
Increase in long-term borrowings	–	750,000
Repayment of long-term borrowings	(1,097,803)	(2,247,120)
Decrease in finance lease liabilities	(6,435)	(6,361)
Cash dividends paid	(963,742)	(1,397,819)
Net cash used in financing activities	(387,910)	(4,625,354)
Effects of changes in exchange rates	(410,976)	218,731
Decrease in cash and cash equivalents	(472,948)	(1,111,589)
Cash and cash equivalents at beginning of period	3,981,288	5,092,877
Cash and cash equivalents at end of period	$ 3,508,340	3,981,288

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang Manager :Joseph Chai Chief Accountant :Ming-Huang Chen

TSRC CORPORATION AND SUBSIDIARIES
Notes to Consolidated Financial Statements
December 31, 2016 and 2015
(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, hereinafter referred to as “the Company”) was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting. In June 2016, the Company chenged its registered address is No.2, Singgong Rd., Dashe Dist., Kaohsiung City. The consolidated financial statements comprise the Company and its subsidiaries (the Group) and the interests of the Group in associate companies and in jointly controlled companies. The Group is mainly engaged in the manufacture, import and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials. Please refer to note 14.

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were approved by the Board of Directors and published on March 16, 2017.

(3) New Standards and Interpretations

(a) Impact of the International Financial Reporting Standards (“IFRSs”) endorsed by the Financial Supervisory Commission, R.O.C. (“FSC”) but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 ?Investment Entities: Applying the Consolidation Exception”	January 1, 2016
Amendments to IFRS 11?Accounting for Acquisitions of Interests in Joint Operations”	January 1, 2016
IFRS 14 ?Regulatory Deferral Accounts”	January 1, 2016
Amendment to IAS 1?Disclosure Initiative”	January 1, 2016
Amendments to IAS 16 and IAS 38 ?Clarification of Acceptable Methods of Depreciation and Amortization”	January 1, 2016
Amendments to IAS 16 and IAS 41?Agriculture: Bearer Plants”	January 1, 2016
Amendments to IAS 19 ?Defined Benefit Plans: Employee Contributions”	July 1, 2014
Amendment to IAS 27 ?Equity Method in Separate Financial Statements”	January 1, 2016
Amendments to IAS 36 ?Recoverable Amount Disclosures for Non Financial Assets”	January 1, 2014
Amendments to IAS 39 ?Novation of Derivatives and Continuation of Hedge Accounting”	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 ?Levies”	January 1, 2014

The Group assessed that the initial application of the above IFRSs would not have any material impact on the consolidated financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Group should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Group's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018

Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

The Group is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 "Financial Instruments: Recognition and Measurement", and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that "own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Group is currently evaluating the impact of the abovementioned standards and amendments on the Group's financial position and operating results. Any related impact will be disclosed when the evaluation is completed.

(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.

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

(a) Statement of compliance

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

(B) Basis of preparation

i) Basis of measurement

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

ii)Functional and presentation currency

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

(c)Basis of consolidation

i) Principles of preparation of consolidated financial statements

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

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions and balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The comprehensive income from subsidiaries is allocated to the Company and its non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

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

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

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

i. The aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and

ii. The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

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

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

			Percentage of ownership		
Name investor	Name of investee	Scope of business	Dec. 31, 2016	Dec. 31, 2015	Description
TSRC	Trimurti Holding Corporation	Investment	100.00%	100.00%	
TSRC	Hardison International Corporation	Investment	100.00%	100.00%	
TSRC &Hardison International Corporation	Dymas Corporation	Investment	100.00%	100.00%	(Note 1)
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	International commerce and investment	100.00%	100.00%	
Trimurti Holding Corporation	TSRC (HONG KONG) Limited	Investment	100.00%	100.00%	
TSRC (HONG KONG) Limited	TSRC (Shanghai) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products	100.00%	100.00%	
TSRC (HONG KONG) Limited	TSRC (Lux.) Corporation S.'a.r.l.	International commerce and investment	100.00%	100.00%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	Investment	100.00%	100.00%	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	Production and sale of synthetic rubber products	100.00%	100.00%	(Note 2)

Name investor	Name of investee	Scope of business	Percentage of ownership		Description
			Dec. 31, 2016	Dec. 31, 2015	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industrial Co,. Ltd.	Production and sale of synthetic rubber products	65.44%	65.44%	
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	55.00%	55.00%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	100.00%	100.00%	
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00%	100.00%	
Hardison International Corporation	TSRC Biotech Ltd.	Investment	100.00%	100.00%	
Triton International Holdings Corporation	Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	50.00%	50.00%	

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

Note 2: TSRC (USA) Investment Corporation is a limited liability shareholder of Dexco Polymers Operating LLC (Dexco LLC). TSRC (USA) directly owns 99% of Dexco Polymers L.P., And indirectly owns Dexco Polymers L.P. via Dexco LLC. Dexco LLC does not engage in operations, so there is no further disclosure of the consolidated information.

(d) Foreign currency

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

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

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

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

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

I) An asset is classified as current under one of the following criteria, and all other assets are classified as non current.
- i. It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
- ii. It holds the asset primarily for the purpose of trading;
- iii. It expects to realize the asset within twelve months after the reporting period; or
- iv. The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non current.
- i. It expects to settle the liability in its normal operating cycle;
- ii. It holds the liability primarily for the purpose of trading;
- iii. The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or

Iv. It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

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

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

(g) Financial instruments

Financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instruments.

i) Financial assets

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

i. Receivables

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

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

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

ii. Available-for-sale financial assets

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

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

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

iii. Derecognition of financial assets

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

ii) Financial liabilities and equity instruments

i. Classification of debt or equity

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

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

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

ii. Other financial liabilities

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

iii. Derecognition of financial liabilities

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

iv. Offsetting of financial assets and liabilities

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

v. Financial guarantee contract

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

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

(h) Inventories

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

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

(i) Investment in associates

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

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

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

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

(j) Joint arrangements

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

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

(k) Property, plant and equipment

i) Recognition and measurement

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

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

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

ii) Reclassification to investment properties

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

iii) Subsequent cost

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

iv) Depreciation

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

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

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

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

i. Land improvements	8~30 years
ii. Buildings	3~60 years
iii. Machinery	3~40 years
iv. Furniture and fixtures, and other equipment	3~8 years

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

(l) Investment property

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

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

(m) Leases

i) Lessor

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

ii) Lessee

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

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

(n) Intangible assets

i) Goodwill

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

ii) Other intangible assets

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

iii) Subsequent expenditure

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

iv) Amortization

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

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

i. Computer software	3 years
ii. Industrial technology and know-how	10~20 years
iii. Patent	20 years
iv. Non-compete agreement	3 years
v. Customer relationship	18 years
vi. Trademark and goodwill	Uncertain useful lives

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

(o) Impairment—non-financial assets

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

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

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

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

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

(p) Provisions

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

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

(q) Revenue

i) Sale of goods

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

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

ii) Rendering of services

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

iii) Rental income

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

(r) Employee benefits

i) Defined contribution plans

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

ii) Defined benefit plans

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

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

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

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

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

iii) Short-term employee benefits

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

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

(s) Income tax

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

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

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

i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction.

ii) Temporary differences arising from equity investments in subsidiaries or joint ventures where there is a high probability that such temporary differences will not reverse.

iii) Initial recognition of goodwill.

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

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

i) The entity has the legal right to settle tax assets and liabilities on a net basis; and

ii) The taxing of deferred tax assets and liabilities fulfills one of the scenarios below:

i. levied by the same taxing authority; or

ii. levied by different taxing authorities, but where each such authority intends to settle tax assets and liabilities (where such amounts are significant) on a net basis every year of the period of expected asset realization or debt liquidation, or where the timing of asset realization and debt liquidation is matched.

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

(t) Earnings per share

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

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

(u) Operating segments

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

(5) Use of Judgements and Estimates

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

The Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

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

Inventory measurement

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

(6) Description of Significant Accounts

(a) Cash and cash equivalents

	Dec. 31, 2016	Dec. 31, 2015
Cash on hand	$ 423	483
Checking and savings deposits	1,045,220	1,366,111
Time deposits	2,462,697	2,345,657
Commercial paper with reverse sell agreements	–	269,037
Cash and cash equivalents per statements of cash flow	$ 3,508,340	3,981,288

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

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

	Dec. 31, 2016	Dec. 31, 2015
Listed stocks (domestic or overseas)	$ 368,000	–
Unlisted stocks (domestic or overseas)	968,406	1,502,347
Total	$ 1,336,406	1,502,347

Please refer to note 6(u) for dividend income.

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

	2016		2015	
Fluctuation in market price at reporting date	Other comprehensive income (after tax)	Net income	Other comprehensive income (after tax)	Net income
Increase 10%	$ 133,641	–	150,235	–
Decrease 10%	$ (133,641)	–	(150,235)	–

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

	Foreign currency amount	Exchange rate	NTD
Dec. 31, 2016 THB	$ 416,715	0.9050	377,127
Dec. 31, 2015 THB	662,097	0.9146	605,554

In September 2015, Taiwan High Speed Rail Corporation held a provisional shareholders' meeting to approve for a capital reduction to cover all of its accumulated deficits. The Group evaluated and recognized an impairment loss amounting to $300,000 thousand, which was recorded under non-operating income and expenses other gain and losses.

As of December 31, 2016 and 2015, the Group did not pledge any collateral on available-for-sale financial instruments.

(c) Notes and accounts receivable, and other receivable (including related parties)

	Dec. 31, 2016	Dec. 31, 2015
Notes receivable	$ 657,959	616,258
Accounts receivable	3,287,195	2,546,596
Other receivable	132,978	154,535
Less: allowance for impairment	282	1,536
	$ 4,077,850	3,315,853

The Group's aging analysis of overdue notes and accounts receivable, and other receivable (including related parties) were as follows:

	Dec. 31, 2016	Dec. 31, 2015
Past due 0~30 days	$ 58,018	82,309
Past due 31~120 days	411	719
	$ 58,429	83,028

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

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2016	$ 1,536	–	1,536
Reversal of impairment loss	(1,196)	–	(1,196)
Effect of changes in exchange rate	(58)	–	(58)
Balance at December 31, 2016	$ 282	–	282

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2015	$ 879	–	879
Impairment loss recognized	2,103	–	2,103
Reversal of impairment loss	(1,426)	–	(1,426)
Effect of changes in exchange rate	(20)	–	(20)
Balance at December 31, 2015	$ 1,536	–	1,536

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.

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

(d) Inventories

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

	Dec. 31, 2016	Dec. 31, 2015
Raw materials	$ 1,900,495	1,174,920
Supplies	105,100	90,749
Work in progress	383,773	354,136
Finished goods	2,506,507	2,619,236
Merchandise	484,033	543,502
Total	$ 5,379,908	4,782,543

As of December 31, 2016 and 2015, the Groupdid not pledge any collateral on inventories.

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

	2016	2015
Loss on (reversal of) decline in market value of inventory	$ (65,103)	73,274
Income from sale of scrap	(58,248)	(40,044)
Gain on physical count	(35)	(522)
Loss on idle capacity	165,227	288,183
Total	$ 41,841	320,891

The Group reversed the allowance for loss on inventory for the year period ended December 31, 2015, when the Group sold or used the inventories for which an allowance had been provided previously.

(e) Investments accounted for under equity method

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

	Dec. 31, 2016	Dec. 31, 2015
Associates	$ 706,080	702,246
Joint ventures	530,674	607,519
	$ 1,236,754	1,309,765
Associates	$ –	(25,595)

i) Associates

For the years ended December 31, 2016 and 2015, the Group recognized its share of gain (loss) from the associates of $19,291 thousand and $(274,006) thousand, respectively.

The details of the significant associates are as follows:

Name of associates	Existing relationship with the Group	The main operating place / register country	Proportion of equity and voting right	
			Dec. 31, 2016	Dec. 31, 2015
Indian Synthetic Rubber Private Limited	Strategic alliance of production and sales of synthetic rubber products	India	34.04%	30.00%
Arlanxeo-TSRC (Nantong) Chemicals Industries Co., Ltd. (formerly called Lanxess-TSRC (Nantong) Chemicals Industries Co., Ltd.)	Strategic alliance of production and sales of NRB	China	50.00%	50.00%

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

i. Summary of financial information of Indian Synthetic Rubber Private Limited

The Board of Directors of the Group decided to invest in Indian Synthetic Rubber Private Limited with $222,629 thousand (USD$6,845 thousand) on March 17, 2016. However, the investment was not acquired proportionately, which had resulted in a change in investment percentage, and the Group debited retained earnings amounting to $82,479 thousand.

	Dec. 31, 2016	Dec. 31, 2015
Current assets	$ 2,103,194	1,411,985
Non-current assets	4,269,941	4,568,668
Current liabilities	(3,033,333)	(2,368,718)
Non-current liabilities	(3,145,956)	(3,741,387)
Equity	$ 193,846	(129,452)
Equity attributable to the Group	$ 65,985	(38,836)

	2016	2015
Revenue	$ 2,956,876	2,160,698
Net loss of continued operations	$ (41,597)	(943,647)
Other comprehensive income (loss)	(69,218)	–
Total comprehensive income (loss)	$ (110,815)	(943,647)
Total comprehensive income attributable to the Group	$ (35,220)	(283,094)

	2016	2015
Beginning equity of the associate attributable to the Group	$ (25,595)	263,534
Current total comprehensive income of the associate attributable to the Group	(35,220)	(283,094)
Capital increase	140,150	–
Other	(2,657)	(6,035)
Ending balance of the equity of the associate attributable to the Group	$ 76,678	(25,595)

ii. Summary of financial information of Arlanxeo-TSRC (Nantong)

The Board of the Director of the Group decided to invest in Arlanxeo-TSRC (Nantong) with $310,700 thousand (USD10,000 thousand) on a pro rata basis on May 7, 2015, and the investment was approved by the Investment Commission Ministry of Economic Affairs on June 2, 2015.

	Dec. 31, 2016	Dec. 31, 2015
Current assets	$ 851,434	637,980
Non-current assets	1,061,494	1,270,991
Current liabilities	(1,540,580)	(1,031,525)
Non-current liabilities	(12,845)	(420,346)
Equity	$ 359,503	457,100
Equity attributable to the Group	$ 179,752	228,550

	2016	2015
Revenue	$ 1,223,210	1,199,841
Net loss of continued operations	$ (66,143)	(115,757)
Other comprehensive income (loss)	–	–
Total comprehensive income (loss)	$ (66,143)	(115,757)
Total comprehensive income attributable to the Group	$ (33,071)	(57,879)

	2016	2015
Beginning equity of the associate attributable to the Group	$ 235,491	(11,054)
Current total comprehensive income of the associate attributable to the Group	(33,071)	(57,879)
Capital increase	–	310,700
Other	(21,861)	(6,276)
Ending balance of the equity of the associate attributable to the Group	$ 180,559	235,491

iii. Summary of respectively not significant associates recognized under equity method were as follows:

	Dec. 31, 2016	Dec. 31, 2015
Balance of not significant associate's equity	$ 448,843	466,755

	2016	2015
Attributable to the Group:		
Income from continued operation	$ 70,153	68,949
Other comprehensive income	–	–
Total comprehensive income	$ 70,153	68,949

ii) Joint ventures

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

	Dec. 31, 2016	Dec. 31, 2015
Balance of not significant joint venture's equity	$ 530,674	607,519

	2016	2015
Attributable to the Group:		
Loss from continued operation	$ (108,539)	(43,840)
Other comprehensive income (loss)	–	–
Total comprehensive income (loss)	$ (108,539)	(43,840)

iii) Collateral

As of December 31, 2016 and 2015, the Group did not pledge any collateral on investments accounted for under the equity method.

(f) Lose control of subsidiaries

In April 2015, the Group disposed all TSRC (Jinan)'s shares, resulting in losing control of TSRC (Jinan). The proceeds and the gain of disposal of the shares were $996 thousand (CNY199 thousand) and $82,784 thousand (CNY16,421 thousand), respectively.

The book value of TSRC (Jinan)'s assets and liabilities on disposal date was as follows:

Cash and cash equivalents	$ 5,086
Accounts receivables and other receivables	6,566
Property, plant and equipment, and intangible assets	44,860
Borrowings	(87,776)
Other payables and other current liabilities	(50,010)
Net assets disposed (CNY16,222 thousand)	$ (81,274)

(g) 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:									
Balance at January 1, 2016	$	614,101	106,421	4,282,489	20,714,897	194,316	94,596	275,697	26,282,517
Additions		–	–	–	5,148	215	–	474,471	479,834
Disposals		–	–	–	(44,968)	(7,187)	–	–	(52,155)
Reclassification		–	684	13,049	346,808	13,059	–	(387,526)	(13,926)
Effect of changes in exchange rates		–	(595)	(232,739)	(732,806)	(7,811)	–	(5,596)	(979,547)
Balance at December 31, 2016	$	614,101	106,510	4,062,799	20,289,079	192,592	94,596	357,046	25,716,723
Balance at January 1, 2015	$	614,101	81,758	4,409,634	19,993,822	195,845	94,596	411,730	25,801,486
Additions		–	–	–	1,531	255	–	812,493	814,279
Disposals		–	–	(97,267)	(209,020)	(9,662)	–	–	(315,949)
Reclassification		–	23,643	14,619	898,826	7,265	–	(954,444)	(10,091)
Effect of changes in exchange rates		–	1,020	(44,497)	29,738	613	–	5,918	(7,208)
Balance at December 31, 2015	$	614,101	106,421	4,282,489	20,714,897	194,316	94,596	275,697	26,282,517
Depreciation and impairment loss:									
Balance at January 1, 2016	$	–	82,305	1,995,450	14,176,704	152,814	–	–	16,407,273
Depreciation		–	2,622	134,513	748,542	14,343	–	–	900,020
Disposal		–	–	–	(34,197)	(6,441)	–	–	(40,638)
Effect of changes in exchange rates		–	(580)	(93,126)	(397,571)	(5,913)	–	–	(497,190)
Balance at December 31, 2016	$	–	84,347	2,036,837	14,493,478	154,803	–	–	16,769,465
Balance at January 1, 2015	$	–	80,137	1,910,944	13,595,623	143,615	–	–	15,730,319
Depreciation		–	1,176	139,434	748,895	16,978	–	–	906,483
Impairment loss		–	–	–	7,072	–	–	–	7,072
Disposal		–	–	(89,324)	(203,531)	(8,552)	–	–	(301,407)
Effect of changes in exchange rates		–	992	34,396	28,645	773	–	–	64,806
Balance at December 31, 2015	$	–	82,305	1,995,450	14,176,704	152,814	–	–	16,407,273
Carrying value:									
December 31, 2016	$	614,101	22,163	2,025,962	5,795,601	37,789	94,596	357,046	8,947,258
December 31, 2015	$	614,101	24,116	2,287,039	6,538,193	41,502	94,596	275,697	9,875,244
January 1, 2015	$	614,101	1,621	2,498,690	6,398,199	52,230	94,596	411,730	10,071,167

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

The Group did not pledge any collateral on property, plant and equipment.

(h) Investment property

		Land	Buildings	Total
Cost:				
Balance as at January 1, 2016	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2016	$	1,073,579	741,889	1,815,468
Balance as at January 1, 2015	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2015	$	1,073,579	741,889	1,815,468
Depreciation:				
Balance as at January 1, 2016	$	–	174,968	174,968
Depreciation		–	14,725	14,725
Balance as at December 31, 2016	$	–	189,693	189,693
Balance as at January 1, 2015	$	–	160,243	160,243
Depreciation		–	14,725	14,725
Balance as at December 31, 2015	$	–	174,968	174,968
Carrying value:				
Balance as at December 31, 2016	$	1,073,579	552,196	1,625,775
Balance as at December 31, 2015	$	1,073,579	566,921	1,640,500
Balance as at January 1, 2015	$	1,073,579	581,646	1,655,225
Fair value:				
Balance as at December 31, 2016				$ 3,148,146
Balance as at December 31, 2015				$ 3,148,146
Balance as at January 1, 2015				$ 3,148,146

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 4~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(t) for further information.
The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent appraiser. The range of yields applied to the net annual rentals to determine the fair value of the property were as follows:

Region	2016	2015
Da'an Dist., Taipei City	2.18%~2.34%	2.18%~2.34%

The Group has rented a parcel of land, but has decided not to treat this property as investment property because it is not the Group's intention to hold it for capital appreciation or rental income. Accordingly, the property is still recorded under property, plant and equipment.
As of December 31, 2016 and 2015, the Group did not pledge any collateral on investment properties.

(i) Intangible assets

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

	Industrial technology and know-how	Computer software	Goodwill	Patent and trademark	Customer relationship	Non-compete agreement	Total
Costs:							
Balance at January 1, 2016	$ 1,083,352	201,983	227,125	650,802	1,187,069	9,919	3,360,250
Reclassification	–	9,448	–	–	–	–	9,448
Disposals	–	(2,697)	–	–	–	–	(2,697)
Effect of changes in exchange rates	(43,839)	(7,245)	(5,406)	(15,489)	(28,253)	(236)	(100,468)
Balance at December 31, 2016	$ 1,039,513	201,489	221,719	635,313	1,158,816	9,683	3,266,533
Balance at January 1, 2015	$ 1,051,286	193,383	217,865	624,250	1,138,676	9,515	3,234,975
Reclassification	–	10,091	–	–	–	–	10,091
Effect of changes in exchange rates	32,066	(1,491)	9,260	26,552	48,393	404	115,184
Balance at December 31, 2015	$ 1,083,352	201,983	227,125	650,802	1,187,069	9,919	3,360,250
Amortization:							
Balance at January 1, 2016	$ 345,557	178,486	–	115,608	313,254	9,919	962,824
Amortization	61,823	18,229	–	25,853	64,465	–	170,370
Disposals	–	(2,697)	–	–	–	–	(2,697)
Effect of changes in exchange rates	(26,193)	(7,144)	–	(2,786)	(7,542)	(236)	(43,901)
Balance at December 31, 2016	$ 381,187	186,874	–	138,675	370,177	9,683	1,086,596
Balance at January 1, 2015	$ 280,152	154,537	–	86,115	237,224	9,515	767,543
Amortization	61,267	25,347	–	24,925	63,630	–	175,169
Effect of changes in exchange rates	4,138	(1,398)	–	4,568	12,400	404	20,112
Balance at December 31, 2015	$ 345,557	178,486	–	115,608	313,254	9,919	962,824
Carrying value:							
December 31, 2016	$ 658,326	14,615	221,719	496,638	788,639	–	2,179,937
December 31, 2015	$ 737,795	23,497	227,125	535,194	873,815	–	2,397,426
January 1, 2015	$ 771,134	38,846	217,865	538,135	901,452	–	2,467,432

i) In 2016 and 2015, the amortization of intangible assets were as follows:

	2016	2015
Operating cost	$ 7,642	7,199
Operating expense	$ 162,728	167,970

ii) Impairment Loss

In accordance with IAS 36 “impairment of assets,” the Group assesses the impairment loss of intangible assets, goodwill and trademark, at the end of each reporting period. The recoverable amount of the cash generating unit is the expected discount present value of future cash in flows. As of December 31, 2016, based on the result of the assessment of the Group, the recoverable amount of the cash-generating unit was higher than the book value. Therefore, there was no impairment loss.

i. The cash flow projections were estimated on the basis of previous experience, actual operating results, and the financial budget.

ii. Forecast of operating revenue, operating cost, and operating expenses are based on the future operational plan, with consideration on the changes and competition in the market industry.

iii. For the year 2016, the discount rates for the present value of recoverable amounts was 9% to 12%.

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

(j) Prepaid rent

		Land lease prepayment
Cost:		
January 1, 2016	$	569,681
Effects of changes in exchange rates		(43,202)
December 31, 2016	$	526,479
January 1, 2015	$	638,650
Disposals		(59,159)
Effects of changes in exchange rates		(9,810)
December 31, 2015	$	569,681
Amortization:		
January 1, 2016	$	110,211
Amortization		11,065
Effects of changes in exchange rates		(8,899)
December 31, 2016	$	112,377
January 1, 2015	$	108,176
Amortization		11,786
Disposals		(8,012)
Effects of changes in exchange rates		(1,739)
December 31, 2015	$	110,211
Carrying value:		
December 31, 2016	$	414,102
December 31, 2015	$	459,470
January 1, 2015	$	530,474
December 31, 2016		
Current	$	10,531
Non-current		403,571
	$	414,102
December 31, 2015		
Current	$	11,392
Non-current		448,078
	$	459,470

As of December 31, 2016 and 2015, the Group's prepaid rent was not provided as pledged assets for long-term borrowings and credit lines.

(k) Short-term and long-term loans borrowings

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

i) Short-term loans borrowings

	Dec. 31, 2016		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.40~4.57	2017	$ 5,846,074

	Dec. 31, 2015		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.70~5.35	2016	$ 3,598,252
Secured loans	1.00~1.50	2016	394,696
Total			$ 3,992,948

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

As of December 31, 2016 and 2015, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $15,497,274 thousand, and $20,482,781 thousand, respectively.

ii) Short-term commercial paper payable

	Dec. 31, 2015		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	INTERNATIONAL BILLS FINANCE CORPORATION	1.15	$ 100,000
Commercial paper payable	CHINA BILLS FINANCE CORPORATION	0.99	200,000
			300,000
Less: discount			85
Total			$ 299,915

The Group did not provide assets as pledge assets for the short-term commercial paper payable.

iii) Long-term borrowings

	Dec. 31, 2016			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	2.30	2017~2018	$ 619,757
Unsecured loans	NTD	1.44	2017~2019	2,000,000
Total				$ 2,619,757
Current				$ 813,171
Non-current				1,806,586
Total				$ 2,619,757

	Dec. 31, 2015			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	1.57~1.93	2016~2017	$ 1,747,786
Unsecured loans	NTD	1.54~1.60	2017~2019	2,000,000
Total				$ 3,747,786
Current				$ 861,391
Non-current				2,886,395
Total				$ 3,747,786

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

iv) Collateral of loans

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

v) Special agreements of loan contracts

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

i. Borrower: TSRC (USA) Investment Corporation.

ii. Amount: USD80,000,000.

iii. Duration: Originally 5 years (starting from March 31, 2011). According to the contracts, TSRC (USA) Investment Corporation could extend the duration for two more years when the loan mature in March 2015.

iv. Interest rate: 3-month or 6-month LIBOR plus 1.30%.

v. Repayment term: Principal that borrower is repaid semi-annually in 8 installments starting 18 months after the date of initial utilization of the loan. Principal amount of the loan that borrower is repaid semi-annually in 7 installments starting 24 months from the date of initial utilization of the loan. Each of the first 6 installments is 10% of the principal, and the final installment is 40% of the principal. Starting from March 2015, borrower will repay the outstanding amount USD32,000 thousand semi-annually in 5 installments.

vi. Guarantee: The Company provided a guarantee for TSRC (USA) Investment Corporation.

vii. Others: During the period of borrowing, the Group should comply with the following covenants:

1) Equity-to-debt ratio should not be higher than 150%.
2) Total tangible net assets at the end of the reporting period should not be less than $10 billion.
3) Current ratio should not be less than 100%.
4) The interest coverage ratio for the reporting period should not be less than 4 times.

As of December 31, 2016 and 2015, the Group was in compliance with the covenants described above.

vi) Finance lease liabilities

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

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2016			
Less than one year	$ 7,064	77	6,987
Between one and five years	28,256	1,054	27,202
More than five years	17,659	2,917	14,742
	$ 52,979	4,048	48,931

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2015			
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	24,723	3,547	21,176
	$ 60,043	4,677	55,366

(l) Current provisions (recorded as other payable)

	Onerous Contracts
Balance at January 1, 2016	$ –
Increase in provisions	35,313
Effect of changes in exchange rates	(1,714)
Balance at December 31, 2016	$ 33,599

In order to meet its obligation in the sales contracts, the Group expected the benefit to be lower than the expected cost. The Group accrued its provision according to the contracts, and recorded it under other income and expenses.

(m) Operating leases

i) Lessee

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

	Dec. 31, 2016	Dec. 31, 2015
Less than five years	$ 159,469	212,361
More than five years	162,916	182,877
	$ 322,385	395,238

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

For the years ended December 31, 2016 and 2015, lease expenses were $139,275 thousand and $124,906 thousand, respectively.

ii) Lessor

The Group leases out its investment property under operating leases; please refer to note 6(h).

The future minimum lease payment receivables under non-cancellable leases were as follows:

	Dec. 31, 2016	Dec. 31, 2015
Less than five years	$ 107,212	146,297

(n) Employee benefits

i) Defined benefit plans

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

	Dec. 31, 2016	Dec. 31, 2015
The present value of the defined benefit obligations	$ 636,379	632,181
Fair value of plan assets	(462,360)	(321,576)
The net defined benefit liability	$ 174,019	310,605

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

i. Composition of plan assets

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

The Group's Bank of Taiwan labor pension reserve account balance amounted to $462,360 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

ii. Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Defined benefit obligation as of 1 January	$ 632,181	653,870
Current service costs and interest	18,251	21,409
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding current interest expense)	32,301	34,360
—Due to changes in financial assumption of actuarial (losses) gains	29,153	21,983
Benefits paid by the plan	(75,507)	(99,441)
Defined benefit obligation as of 31 December	$ 636,379	632,181

iii. Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Fair value of plan assets as of January 1	$ 321,576	384,238
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding current interest expense)	3,072	9,927
Contributions made	213,219	26,852
Benefits paid by the plan	(75,507)	(99,441)
Fair value of plan assets as of December 31	$ 462,360	321,576

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Current service cost	$ 8,171	8,557
Net interest on the defined benefit liability (asset)	4,838	5,116
	$ 13,009	13,673

	2016	2015
Operating costs	$ 8,150	8,768
Operating expenses	4,859	4,905
	$ 13,009	13,673

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

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Balance of January 1	$ (117,260)	(63,108)
Recognized during the period	(63,624)	(54,152)
Balance of December 31	$ (180,884)	(117,260)

vi. Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	Dec. 31, 2016	Dec. 31, 2015
Discount rate	1.125%	1.625%
Future salary increases rate	1.500%	1.500%

The Group expects to make contributions of $4,723 thousand to the defined benefit plans in the next year starting from the reporting date of 2016.

The weighted average duration of the defined benefit plan is 12.14 years.

vii. Sensitivity analysis

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

As of December 31, 2016 and 2015, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	The impact of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2016		
Discount rate	$ (14,826)	15,350
Future salary increase rate	14,840	(14,404)
December 31, 2015		
Discount rate	(14,776)	15,336
Future salary increase rate	14,885	(14,430)

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

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

ii) Defined contribution plans

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

The Group's pension costs under the defined contribution plan were $102,997 thousand and $93,565 thousand for the years 2016 and 2015, respectively. Payments were made to the Bureau of Labor Insurance and to local government for the overseas subsidiaries.

iii) Short-term employee benefit liabilities

	Dec. 31, 2016	Dec. 31, 2015
Compensated absence liabilities	$ 33,135	31,814

(o) Income tax

i) Income tax expenses

The amount of the Group's income tax for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Current income tax expense		
Current period	$ 411,660	305,215
Adjustment for prior periods	5,164	21,045
	416,824	326,260
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	96,879	(281,407)
Income tax expenses on continuing operations	$ 513,703	44,853

Reconciliations of the Group's income tax expense (benefit) and the profit before tax for 2016 and 2015 were as follows:

	2016	2015
Income before tax	$ 1,607,310	646,000
Income tax calculated on pretax accounting income at statutory rate	$ 273,243	109,820
Effect of tax rates in foreign jurisdiction	128,176	55,386
Dividend income	(8,193)	(7,015)
Adjustment for prior periods	5,164	21,045
Foreign investment income	72,664	(220,527)
R&D tax credits utilized	(14,913)	(1,033)
Withholding tax of revenue from overseas	58,922	45,325
Others	(1,360)	41,852
Total	$ 513,703	44,853

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

Deferred tax assets:	Provision for retirement benefit	Allowance for inventory valuation	Loss carryforward	Others	Total
Balance at January 1, 2016	$ 46,049	69,603	138,875	91,784	346,311
Recognized in profit or loss	(26,345)	(23,948)	(2,986)	28,685	(24,594)
Balance at December 31, 2016	$ 19,704	45,655	135,889	120,469	321,717
Balance at January 1, 2015	$ 45,578	47,158	33,907	117,937	244,580
Recognized in profit or loss	471	22,445	104,968	(26,153)	101,731
Balance at December 31, 2015	$ 46,049	69,603	138,875	91,784	346,311

Deferred tax liabilities:	Foreign investment income accounted for under equity method	Depreciation difference between financial and tax reporting	Land value increment tax	Others	Total
Balance at January 1, 2016	$ 244,995	177,772	56,683	118,700	598,150
Recognized in profit or loss	66,292	(7,389)	–	13,382	72,285
Balance at December 31, 2016	$ 311,287	170,383	56,683	132,082	670,435
Balance at January 1, 2015	$ 510,372	138,074	56,683	72,697	777,826
Recognized in profit or loss	(265,377)	39,698	–	46,003	(179,676)
Balance at December 31, 2015	$ 244,995	177,772	56,683	118,700	598,150

iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2013.

iv) Imputation tax information

The components of unappropriated earnings were as follows:

	Dec. 31, 2016	Dec. 31, 2015
Derived from year 1997 and prior years	$ 1,637	1,637
Derived from year 1998 and thereafter	1,707,699	1,793,614
	$ 1,709,336	1,795,251

	Dec. 31, 2016	Dec. 31, 2015
Balance of imputation credit account (ICA)	$ 93,274	181,192

The imputation tax credit ratio of earnings to be distributed in 2016 is estimated at 5.46%. The actual imputation tax credit ratio of earnings distributed in 2016 was 10.32%.

Effective January 1, 2015, the imputation tax credit of dividends or earnings distributed to individual shareholder who are residents of the ROC was adjusted to half of the original amount. Furthermore, the imputation tax credit of dividends or earnings distributed to individual shareholders resulting from the 10% surtaxon unappropriated earnings was also adjusted to half of the original amount.

(p) Capital and other equity

As of December 31, 2016 and 2015, the total value of authorized ordinary shares amounted to $9,000,000 thousand, with par value of $10 per share, of which 825,709,978 shares were issued.

i) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2016 and 2015, were as follows:

	Dec. 31, 2016	Dec. 31, 2015
Share premium	$ 849	849

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

ii) Retained earnings

i. Legal reserve

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

ii. Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) were reclassified to retained earnings at the adoption date. In accordance with Ruling Number

1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified $(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

iii. Distribution of retained earnings

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

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

In accordance with the revised ROC Company Act, remuneration for employees, directors and supervisors is no longer subject to earnings distribution. With respect to the items of earnings distribution, the stockholders' meeting on June 24, 2016, approved a resolution to amend the articles of the Company. Please refer to note 6(s).

The appropriations of 2015 and 2014 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 24, 2016, and June 10, 2015, respectively, were as follows:

	2016		2015	
Dividends distributed to common shareholders:	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Cash	$ 1.06	875,253	1.52	1,255,079

iii) Other equities

	Foreign exchange differences arising from foreign operation	Effective portion of cash flow hedges	Available-for-sale financial assets	Total
Balance as of January 1, 2016	$ 1,672,819	–	899,902	2,572,721
Foreign exchange differences arising from foreign operation	(642,504)	–	–	(642,504)
Share of other comprehensive income of associates accounted for under equity method, exchange differences on translation	(39,956)	–	–	(39,956)
Unrealized gains (losses) from available-for-sale financial assets	–	–	(164,438)	(164,438)
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	–	(23,562)	–	(23,562)
Balance as of December 31, 2016	$ 990,359	(23,562)	735,464	1,702,261
Balance as of January 1, 2015	$ 1,569,373		183,207	1,752,580
Foreign exchange differences arising from foreign operation	149,648	–	–	149,648
Share of other comprehensive income of associates accounted for under equity method, exchange differences on translation	(46,202)	–	–	(46,202)
Unrealized gains (losses) from available-for-sale financial assets	–	–	716,695	716,695
Balance as of December 31, 2015	$ 1,672,819	–	899,902	2,572,721

(q) Earnings per share

The calculation of the Group's basic earnings per share and diluted earnings per share for the years ended December 31, 2016 and 2015, were as follows:

i) Basic earnings per share

	2016	2015
Net income attributable to common shareholders of the Company	$ 988,352	529,115
Weighted-average number of common shares	825,710	825,710
Basic earnings per share (in NT dollars)	$ 1.20	0.64

ii) Diluted earnings per share

	2016	2015
Net income attributable to common shareholders of the Company (diluted)	$ 988,352	529,115
Weighted-average number of common shares (basic)	825,710	825,710
Impact of potential common shares Effect of employees' bonuses	1,272	1,011
Weighted-average number of shares outstanding (diluted)	826,982	826,721
Diluted earnings per share (in NT dollars)	$ 1.20	0.64

(r) Revenue

The details of the Group's revenue for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Sale of goods	$ 26,912,948	25,956,957
Service income	42,142	24,802
	$ 26,955,090	25,981,759

(s) Employees' compensation and directors' remuneration

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

For the year ended December 31, 2016, and 2015, the Company estimated its employees' compensation were $35,219 thousand and $28,010 thousand, respectively, and the estimated amounts of directors' remuneration were $11,180 thousand and $3,199 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. The differences between the estimated amounts and those recognized in the financial statements approved by the Board of Directors and announced to the public, if any, shall be accounted for as a change in accounting estimate and recognized in profit or loss in the next year.

(t) Other income and expenses

The components of the Group's other income and expenses for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Rental income	$ 74,568	72,492
Royalty income	75,302	52,685
Net service income	11,020	31,508
Depreciation of investment properties	(14,725)	(14,725)
Onerous contracts losses	(35,313)	–
Net other income	20,383	19,613
	$ 131,235	161,573

(u) Non-operating income and expenses

i) Other gains and losses

The components of the Group's other gains and losses for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Dividend income	$ 64,021	67,755
Foreign exchange loss, net	(14,738)	(196,474)
Loss on disposal of property, plant and equipment, net	(10,795)	(13,751)
Impairment loss on financial assets	–	(300,000)
Impairment loss on non-financial assets	–	(7,072)
Gains on disposal of investments	–	82,784
Others	1,798	3,557
	$ 40,286	(363,201)

ii) Finance costs

The components of the Group's finance costs for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Interest expenses	$ 151,557	156,099

(v) Reclassification of components of other comprehensive income

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

	2016	2015
Effective portion of cash flow hedges:		
Net losses for current year	$ (32,202)	–
Less: Adjustment of reclassification included in profit or loss	8,640	–
Net losses recognized in other comprehensive income	$ (23,562)	–
Available-for-sale financial assets		
Net change in fair value for current period	$ (164,438)	716,695
Net change in fair value reclassified to profit or loss	–	–
Net changes in fair value recognized in other comprehensive income	$ (164,438)	716,695

(w) Financial instruments

i) Credit risk

i. Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2016 and 2015, the maximum credit risk exposure amounted to $8,922,596 thousand, and $8,799,488 thousand, respectively.

ii. Concentration of credit risk

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

The Group guarantees bank loans for investees. The Group concluded that it is not exposed to credit risk for these transactions.

ii) Liquidity risk

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

	Carrying amount	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2016						
Non-derivative financial liabilities						
Short-term borrowings	$ 5,883,220	5,397,964	485,256	–	–	–
Short-term commercial paper payable	–	–	–	–	–	–
Accounts payable (including related parties)	1,782,112	1,782,112	–	–	–	–
Other payable	967,533	967,533	–	–	–	–
Long-term borrowings (including current portion)	2,679,979	226,040	623,166	1,025,023	805,750	–
Financial guarantee contracts	1,692,906	531,185	–	429,956	–	731,765
	$ 13,005,750	8,904,834	1,108,422	1,454,979	805,750	731,765
December 31, 2015						
Non-derivative financial liabilities						
Short-term borrowings	$ 4,025,462	3,392,163	633,299	–	–	–
Short-term commercial paper payable	300,000	300,000	–	–	–	–
Accounts payable (including related parties)	1,354,617	1,354,617	–	–	–	–
Other payable	878,449	878,449	–	–	–	–
Long-term borrowings (including current portion)	3,867,836	493,405	424,212	1,112,372	1,837,847	–
Financial guarantee contracts	2,651,056	399,840	575,348	574,770	440,439	660,659
	$ 13,077,420	6,818,474	1,632,859	1,687,142	2,278,286	660,659

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

iii) Currency risk

i. Risk exposure

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

	Foreign currency	Exchange rate	NTD
December 31, 2016			
Financial assets:			
Monetary assets:			
USD	$ 38,789	32.2790	1,252,070
EUR	$ 13,698	33.9100	464,499
JPY	$ 52,093	0.2758	14,367
CNY	$ 11,083	4.6190	51,192
Financial liabilities:			
Monetary liabilities:			
USD	$ 76,903	32.2790	2,482,352
EUR	$ 13,363	33.9100	453,139
JPY	$ 50,587	0.2758	13,952
CNY	$ 25	4.6190	115
December 31, 2015			
Financial assets:			
Monetary assets:			
USD	$ 40,686	33.0660	1,345,323
EUR	$ 12,817	35.8900	460,002
JPY	$ 101,580	0.2730	27,731
CNY	$ 16,899	4.9980	84,461
Financial liabilities:			
Monetary liabilities:			
USD	$ 79,060	33.0660	2,614,198
EUR	$ 14,529	35.8900	521,446
JPY	$ 54,264	0.2730	14,814
CNY	$ 1,883	4.9980	9,411

ii. Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the USD, EUR, CNY and JPY had appreciated depreciated by 1% the Company's net income before tax would have increase/decreased by $11,674 thousand and $12,424 thousand for the years ended December 31, 2016 and 2015, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

iii. Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. In 2016 and 2015, foreign exchange gain (loss) (including realized and unrealized abortions) amounted to $14,738 thousand and $196,474 thousand.

iv) Interest rate risk analysis

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

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

If the interest rate had increased / decreased by 1%, the Group's net income before tax would have increased / decreased by $84,658 thousand and $77,407 thousand for the years ended December 31, 2016 and 2015, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

v) Fair value

i. Categories and fair value of financial instruments

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

	Dec. 31, 2016				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) listed stocks	$ 368,000	368,000	–	–	368,000
Domestic (Oversea) unlisted stocks	968,406	–	968,406	–	968,406
Subtotal	1,336,406	368,000	968,406	–	1,336,406
Loans and receivables					
Cash and cash equivalents	3,508,340	–	–	–	–
Accounts and notes receivable	3,944,872	–	–	–	–
Other receivables	132,978	–	–	–	–
Subtotal	7,586,190	–	–	–	–
Total	$ 8,922,596	368,000	968,406	–	1,336,406
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 5,846,074	–	–	–	–
Long-term debts (including current portion)	2,619,757	–	–	–	–
Accounts payables (including related parties)	1,782,112	–	–	–	–
Other payables	967,533	–	–	–	–
Total	$ 11,215,476	–	–	–	–

	Dec. 31, 2015				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) unlisted stocks	$ 1,502,347	–	1,502,347	–	1,502,347
Loans and receivables					
Cash and cash equivalents	3,981,288	–	–	–	–
Accounts and notes receivable	3,161,318	–	–	–	–
Other receivables	154,535	–	–	–	–
Subtotal	7,297,141	–	–	–	–
Total	$ 8,799,488	–	1,502,347	–	1,502,347
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 3,992,948	–	–	–	–
Short-term notes and bills payable	299,915	–	–	–	–
Long-term debts (including current portion)	3,747,786	–	–	–	–
Accounts payables (including related parties)	1,354,617	–	–	–	–
Other payables	878,449	–	–	–	–
Total	$ 10,273,715	–	–	–	–

ii. Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Company have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Group uses market comparison approach to evaluate the fair value.

The main assumption is based on the investee's earnings after tax and the listed (over the counter) company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity.

(x) Financial risk management

i) Overview

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

i. Credit risk
ii. Liquidity risk
iii. Market risk

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

ii) Risk management framework

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

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

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

iii) Credit risk

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

i. Accounts receivable and Notes Receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The Group's Accounts Receivable and Notes Receivable are mainly due from customers in China, accounting 50% of the total amount of the receivables as of December 31, 2016, and 2015.

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

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

The Group has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

ii. Investments

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

iii. Guarantees

The Group's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided by the Group as of December 31, 2016 and 2015, are disclosed in note 7 " Related-party Transactions."

iv) Liquidity risk

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

V) Market risk

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

i. Currency risk

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

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

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

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

The Group does not hedge against investments of related parties.

ii. Interest rate risk

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

iii. Other market price risk

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

(y) Capital management

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

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

	Dec. 31, 2016	Dec. 31, 2015
Total liabilities	$ 12,718,102	11,916,871
Total equity	17,051,825	18,077,114
Total assets	$ 29,769,927	29,993,985
Debts ratio	43%	39%

As of December 31, 2016, there were no material changes in the Group's debts ratio.

(7) Related-party Transactions

(a) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the Group.

(b) Significant transactions with related parties

i) Operating revenue

The amounts of significant sales transactions between the Group and related parties were as follows:

	2016	2015
Associates	$ 20,597	12,462

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

ii) Purchases

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

	2016	2015
Other related parties	$ 223,104	403,496

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

iii) Service income and expenses

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

	2016	2015
Associates and joint ventures	$ 158,945	173,895
Other related parties	(2,822)	5,118
	$ 156,123	179,013

iv) Receivable from related parties

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

Accounts	Type of related parties	Dec. 31, 2016	Dec. 31, 2015
Other receivable	Associates and joint ventures	$ 57,283	98,061

v) Payable to related parties

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

Accounts	Type of related parties	Dec. 31, 2016	Dec. 31, 2015
Accounts payable	Other related parties	$ 2,535	13,195

vi) Guarantees

As of December 31, 2016 and 2015, the Group had provided guarantees on the bank loans of associates and joint ventures. The credit limits of the guarantees were $1,692,906 thousand, and $2,651,056 thousand, respectively, and accordingly, the Group increased provision liabilities and investments accounted for under equity method by $22,958 thousand, and $32,351 thousand, respectively.

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2016	2015
Short-term employee benefits	$ 103,812	79,629
Post-employment benefits	3,236	1,496
	$ 107,048	81,125

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	Dec. 31, 2016	Dec. 31, 2015
Restricted savings deposits (recorded as other non-current assets)	Guarantee for bank loans	$ 3,700	5,149
Restricted savings deposits (recorded as other non-current assets)	Deposit for safety production	5,638	4,549
		$ 9,338	9,698

(9) Significant Commitments and Contingencies

(a) As of December 31, 2016 and 2015, the Group's unused letters of credit outstanding for purchases of materials were $2,115,893 thousand, and $835,192 thousand, respectively.

(b) As of December 31, 2016 and 2015, the Group's signed construction and design contracts with several factories totaled $78,378 thousand, and $13,050 thousand, respectively, of which $43,013 thousand, and $7,830 thousand, respectively, were paid.

(10) Significant Losses from Calamity: None.

(11) Significant Subsequent Events: None.

(12) Others

The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

By function By nature	2016			2015		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	885,631	583,098	1,468,729	848,203	560,426	1,408,629
Labor and health insurance	76,615	53,363	129,978	76,358	52,597	128,955
Pension	77,051	38,955	116,006	71,558	35,680	107,238
Others (note 1)	135,410	100,650	236,060	130,009	76,723	206,732
Depreciation (Note 2)	763,303	136,717	900,020	792,556	113,927	906,483
Amortization	7,642	162,728	170,370	7,199	167,970	175,169

note 1: Others personnel expenses included meals, employee welfare, training expenses, employees' bonus, and directors' remuneration.
note 2: Depreciation expenses for investment property recognized under other income and expenses amounting to $14,725 thousand for the years 2016 and 2015 were excluded.

(13) Other Disclosures

(a) Information on significant transactions

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

i) Loans extended to other parties: None.

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 year	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 endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements /guarantees to third parties on behalf of company in China
		Name	Relationship with the company										
0	TSRC Corp.	TSRC (USA) Investment Corporation	3	(Note 2)	1,032,928	1,032,928	619,757	–	6.73%	(Note 3)	Y		
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	3	(Note 2)	1,129,765	–	–	–	– %	(Note 3)	Y		Y
0	TSRC Corp.	Arlanxeo TSRC (Nantong) Chemical Industries Co., Ltd. (Note 5)	6	(Note 2)	1,462,360	531,185	494,254	–	3.46%	(Note 3)			Y
0	TSRC Corp.	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,806,655	1,161,721	1,074,890	–	7.57%	(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 50% directly owned by the guarantor.
(3) An investee whose common stock is more than 50% owned by the parent company and its subsidiary in aggregate.
(4) The parent company owns, directly or indirectly via subsidiaries, more than 50% 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 to 50% of issued capital, amounting to $4,128,550 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to $23,011,832 thousand.

Note 4: The transactions within the Group were eliminated in the consolidated financial statements.

Note 5: Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd. Registered for a name change and has been called Arlanxeo-TSRC (Nantong) Chemical Industrial Co., Ltd. since May 2016.

iii) Securities held as of December 31, 2016
(excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand dollars

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2015	Remarks
				Number of shares	Book value	Holding percentage	Market value		
TSRC Corp.	Taiwan High Speed Rail Corporation	–	Available-for-sale financial assets – non-current	20,000,000	368,000	0.36%	368,000	200,000	
TSRC Corp.	Evergreen Steel Corporation	–	Available-for-sale financial assets – non-current	12,148,000	327,267	3.00%	327,267	209,878	
TSRC Corp.	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	599,999	157,404	5.42%	157,404	65,143	
TSRC Corp.	Hsin-Yung Enterprise Corporation	–	Available-for-sale financial assets – non-current	5,657,000	264,012	3.90%	264,012	64,296	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	837,552	219,723	7.57%	219,723	61,626	
TSRC Biotech Ltd.	Pulse Metric Inc.	–	Available-for-sale financial assets – non-current	312,500	–	6.23%	(Note 1)		
TSRC Biotech Ltd.	CytoPharm, Inc.	–	Available-for-sale financial assets – non-current	95,108	–	0.17%	(Note 1)		
					1,336,406		1,336,406	600,943	

Note 1: The securities were written down due to impairment loss.

iv) Accumulated holding amount of a single security in excess of $300 million or 20% of TSRC's issued share capital: None.

v) Acquisition of real estate in excess of $300 million or 20% of TSRC's issued share capital: None.

vi) Disposal of real estate in excess of $300 million or 20% of TSRC's issued share capital: None.

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				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)	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC	Related parties	Purchase	110,044	4.93%	70 days	–	–	(14,092)	(3.97)%	
TSRC	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(110,044)	(1.25)%	70 days	–	–	14,092	1.01%	

Name of company	Counter -party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Polybus Corporation Pte Ltd.	TSRC	Related parties	Purchase	132,833	17.75%	70 days	—	—	(11,375)	(18.59)%	
TSRC	Polybus Corporation Pte Ltd.	Related parties	Sale	(132,833)	(1.50)%	70 days	—	—	11,375	0.82%	
TSRC (Nantong) Industries Ltd	TSRC	Related parties	Purchase	120,221	5.58%	60 days after date of dispatch	—	—	(27,828)	(17.64)%	
TSRC	TSRC (Nantong) Industries Ltd	Related parties	Sale	(120,221)	(1.36)%	60 days after date of dispatch	—	—	27,828	2.00%	
TSRC-UBE (Nantong) Industries Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd.	Purchase	130,874	6.77%	14 days	—	—	(2,535)	(3.03)%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	412,562	55.12%	40 days	—	—	(23,409)	(38.26)%	
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd.	Related parties	Sale	(412,562)	(9.99)%	40 days	—	—	23,409	4.35%	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industries Co., Ltd.	Related parties	Purchase	142,609	19.05%	40 days	—	—	(18,421)	(30.11)%	
Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(142,609)	(1.92)%	40 days	—	—	18,421	1.38%	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	897,653	40.18%	90 days	—	—	(98,795)	(27.85)%	

Name of company	Counter -party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(897,653)	(22.37)%	90 days	—	—	98,795	28.06%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	1,223,023	54.74%	70 days	—	—	(245,838)	(69.30)%	
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,223,023)	(29.62)%	70 days	—	—	245,838	45.65%	
Dexco Polymers L.P.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	150,691	6.82%	70 days	—	—	(36,506)	(19.51)%	
TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	Related parties	Sale	(150,691)	(3.65)%	70 days	—	—	36,506	6.78%	

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 (Note 1)	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
TSRC (Namtong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	245,838	4.54	—	—	83,353	—

Note 1: Transactions within the Group were eliminated in the consolidated financial statements.
Note 2: Until March 16, 2017.

ix) Derivative financial instrument transactions: None.

x) Business relationships and significant intercompany transactions:

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 Corp.	TSRC (Nantong) Industries Ltd	1	Sales revenue	120,221	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.45%
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Other income and expenses	41,897	〃	0.16%
0	TSRC Corp.	TSRC (Lux.) Corporation S.' a. r. l.	1	Sales revenue	110,044	〃	0.41%
0	TSRC Corp.	Polybus Corporation Pte. Ltd.	1	Sales revenue	132,833	〃	0.49%
0	TSRC Corp.	Shen Hua Chemical Industries Co., Ltd	1	Other income and expenses	30,422	〃	0.11%
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Other income and expenses	30,797	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.11%
1	TSRC (Nantong) Industries Ltd	TSRC (Shanghai) Industries Ltd.	3	Sales revenue	61,699	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.23%
1	TSRC (Nantong) Industries Ltd	Polybus Corporation Pte. Ltd.	3	Sales revenue	412,562	〃	1.53%
1	TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	1,223,023	〃	4.54%
1	TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	245,838	〃	0.83%
1	TSRC (Nantong) Industries Ltd	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	180,138	〃	0.67%
1	TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	3	Sales revenue	150,691	〃	0.56%
1	TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	3	Accounts receivable	36,506	〃	0.12%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	897,653	The transaction is not significantly different from normal transactions, and the collection terms were about three months	3.33%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	98,795	〃	0.33%
3	Shen Hua Chemical Industries Co., Ltd	Polybus Corporation Pte. Ltd.	3	Sales revenue	142,609	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.53%
4	TSRC (Lux.) Corporation S.' a. r. l.	TSRC Corp.	2	Other income and expenses	38,606	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.14%
5	TSRC-UBE (Nantong) Industries Ltd.	TSRC Corp.	2	Sales revenue	65,314	The transaction is not significantly different from normal transactions, and the collection terms were about one months	0.24%
6	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd	3	Sales revenue	32,135	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.12%
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Note 4	1,129,765	–	–
0	TSRC Corp.	TSRC (USA) Investment Corporation	1	〃	1,032,928	–	–

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 midstream 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.

Note 5: The transactions within the Group were eliminated in the consolidated financial statements.

(b) Information on investees:

The following is the information on investees for the year 2016 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2015	Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2016	Dec. 31, 2015	Shares	Percentage of ownership	Book value				
TSRC Corp.	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%	11,785,065	1,005,945	940,751	937,378	Subsidiary
TSRC Corp.	Hardison International Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	109,442	109,442	3,896,305	100.00%	807,318	109,442	68,951	68,951	Subsidiary
TSRC Corp.	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	38,376	38,376	1,161,004	19.48%	163,270	38,376	80,161	15,615	Subsidiary (Note 2)
TSRC Corp.	Taiwan Advanced Materials Corp.	No 39, Bengong 1st Rd., Gangshan Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of synthetic rubber products	720,000	720,000	72,000,000	48.00%	530,674	720,000	(226,124)	(108,539)	–
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd.	100 Peck Seah Street #09-16 Singapore 079333	International commerce and investment corporation	2,101,395 (USD 65,101)	2,101,395 (USD 65,101)	105,830,000	100.00%	6,962,463	2,101,395	802,258	796,125	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited.	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation	2,512,920 (USD 77,850)	2,512,920 (USD 77,850)	77,850,000	100.00%	3,073,190	2,512,920	181,214	181,214	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi-110016, India	Production and sale of synthetic rubber products	905,265 (USD 28,045)	684,315 (USD 21,200)	151,705,125	34.04%	76,678	905,265	(41,597)	(11,658)	–
TSRC (HONG KONG) Limited	TSRC (Lux.) Corporation S. 'a. r. l.	34-36 avenue de la Liberte L-1930 Luxembourg	International commerce and investment corporation	1,722,628 (EUR 50,800)	1,722,628 (EUR 50,800)	50,800,000	100.00%	2,624,872	1,722,628	112,945	112,945	Indirectly owned subsidiary
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	2711Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware.19808.	Investment corporation	2,261,144 (USD 70,050)	2,261,144 (USD 70,050)	100	100.00%	2,579,117	2,261,144	130,240	130,240	Indirectly owned subsidiary
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston,TX 77079	Production and sale of synthetic rubber products	6,217,484 (USD 192,617)	6,217,484 (USD 192,617)	–	100.00%	1,625,309	6,217,484	384,053	384,053	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	1,614 (USD50)	1,614 (USD50)	50,000	100.00%	107,846	1,614	4,668	4,668	Indirectly owned subsidiary

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2015	Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2016	Dec. 31, 2015	Shares	Percentage of ownership	Book value				
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	154,907 (USD 4,799)	154,907 (USD 4,799)	4,798,566	80.52%	696,188	154,907	80,161	64,546	Indirectly owned subsidiary
Hardison International Corporation	TSRC Biotech Ltd.	4th F1., Harbour Centre, P.O.BOX613, George Town, Grand Cayman	Investment corporation	97,483 (USD 3,020)	97,483 (USD 3,020)	3,020,210	100.00%	5	97,483	–	–	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd	Cayman Islands	Consulting for electric power facilities management and electrical system design	364,269 (USD 11,285)	364,269 (USD 11,285)	7,522,337	37.78%	448,843	364,269	185,687	70,153	–

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD32.279; EUR1 to NTD33.91).

Note 2: TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation.

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

(c) Information on investment in Mainland China:

i) Information on investment in Mainland China:

Unit: thousand dollars

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2016	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2016	Net income of investee	Direct / indirect investment holding percentage	Maximum investment in 2016	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	1,330,540 (USD 41,220)	(2)a.	–	–	–	–	367,891	65.44%	1,330,540	240,748 (Note 2)	1,877,400	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd	Power generation and sale of electricity and steam	745,645 (USD 23,100)	(2)c.	123,693 (USD3,832)	–	–	123,693 (USD3,832)	299,743	28.34%	745,645	84,947 (Note 3)	517,241	–
TSRC (Shanghai) Industries Ltd	Production and sale of compounding materials	177,535 (USD 5,500)	(2)b.	126,534 (USD3,920)	–	–	126,534 (USD3,920)	71,597	100.00%	177,535	71,597 (Note 2)	309,987	–
Nantong Qix Storage Co., Ltd	Storehouse for chemicals	96,837 (USD 3,000)	(2)d.	48,419 (USD1,500)	–	–	48,419 (USD1,500)	8,825	50.00%	96,837	4,412 (Note 2)	66,955	–
TSRC -UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	1,291,160 (USD 40,000)	(2)a.	32,279 (USD1,000)	–	–	32,279 (USD1,000)	(58,446)	55.00%	1,291,160	(32,145) (Note 2)	808,720	–

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2016	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2016	Net income of investee	Direct / indirect investment holding percentage	Maximum investment in 2016	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount							
TSRC (Nantong) Industries Ltd	Production and sale of synthetic rubber products	2,231,286 (USD 69,125)	(2)a.	214,591 (USD6,648)	–	–	214,591 (USD6,648)	648,988	100.00%	2,231,286	648,988 (Note 2)	3,290,030	–
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd. (Note 6)	Production and sale of NBR	1,446,099 (USD 44,800)	(2)a.	–	–	–	–	(66,143)	50.00%	1,446,099	(39,204) (Note 3)	180,559	–

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.
  - a. Through the establishment of Polybus Corporation Pte. Ltd. then investing in Mainland China.
  - b. Through the establishment of TSRC (HONG KONG) Limited then investing in Mainland China.
  - c. Through the establishment of Asia Pacific Energy Development Co., Ltd. then investing in Mainland China.
  - d. Through the establishment of Triton International Holdings Corporation then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The investment income (losses) were recognized under the equity method and based on the financial statements audited by international accounting firms.

Note 4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD32.279).

Note 5: The transactions within the Group were eliminated in the consolidated financial statements.

Note 6: The investee was disposed of in April 2015. Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd. registered for a name change and has been called Arlanxeo-TSRC (Nantong) Chemical Industrial Co., Ltd. since May 2016.

ii) Limitation on investment in Mainland China:

Unit: thousand dollars

Company name	Accumulated investment amount in China as of December 31, 2015	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC Corp.	545,516(USD16,900)	4,884,942(USD151,335)(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, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau, Ministry of Economic Affairs, on October 14, 2015. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from October 1, 2015 to September 30, 2018.

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 NTD32.279).

iii) Significant transactions with investees in Mainland China:

Related information is provided in note 13(a)x)

(14) Segment Information

(a) General information

There are three service departments which should be reported: synthetic rubber services department, non-synthetic rubber services department, and others. The synthetic rubber services department produces and sells synthetic rubber products. The non-synthetic rubber services department produces and sells reengineering plastic and plastic elasticity engineering products. The others department provides storage service.

A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed.

(b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity. Because taxation and extraordinary activity are managed on a group basis, they are not able to be allocated to each reportable segment. In addition, not all profit or loss from reportable segments includes significant non-cash items such as depreciation and amortization. The reportable amount is consistent with that in the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies" .

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

Information on reportable segments and reconciliation for the Group is as follows:

		2016				
		Synthetic rubber department	Non-synthetic rubber department	Others	Adjustments or elimination	Total
Revenue:						
Revenue from external customers	$	26,120,519	792,429	42,142	–	26,955,090
Interest revenue		37,263	1,745	3,875	–	42,883
Total revenue	$	26,157,782	794,174	46,017	–	26,997,973
Interest expenses	$	149,187	2,370	–	–	151,557
Depreciation and amortization	$	1,034,181	27,408	44,720	(21,194)	1,085,115
Share of profit of equity-accounted investees (associates and jointly controlled entities)	$	867,765	–	70,153	(1,027,166)	(89,248)
Reportable segment profit or loss	$	1,393,815	83,748	13,024	116,723	1,607,310
Reportable segment assets (note)	$	–	–	–	–	–

	2015				
	Synthetic rubber department	Non-synthetic rubber department	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 25,094,392	862,565	24,802	–	25,981,759
Interest revenue	81,514	1,008	3,941	–	86,463
Total revenue	$ 25,175,906	863,573	28,743	–	26,068,222
Interest expenses	$ 153,324	3,304	–	(529)	156,099
Depreciation and amortization	$ 1,035,386	30,691	51,494	(21,194)	1,096,377
Share of profit of equity-accounted investees (associates and jointly controlled entities)	$ (77,570)	–	68,949	(309,225)	(317,846)
Reportable segment profit or loss	$ 794,297	70,910	(255,476)	36,269	646,000
Reportable segment assets (note)	$ –	–	–	–	–

note: As the information on segment assets and liabilities was not provided to the chief operating decision maker, the information on segment assets and liabilities is not disclosed.

(c) Geographical information

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Geographical information	2016	2015
Revenue from external customers:		
China	$ 12,771,400	10,886,751
United States	3,425,307	3,645,296
Taiwan	2,530,416	2,439,396
Thailand	1,329,694	2,057,964
Japan	941,977	1,266,469
Other countries	5,956,296	5,685,883
Total	$ 26,955,090	25,981,759

Geographical information	Dec. 31, 2016	Dec. 31, 2015
Non-current assets:		
China	$ 6,677,814	7,673,433
Taiwan	4,903,201	4,989,252
United States	2,338,464	2,558,835
Other countries	609,275	534,571
Total	$ 14,528,754	15,756,091

Non-current assets include investment accounted for under the equity method, property, plant and equipment, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from insurance contract (non-current).

(d) Information about major customers

For the years 2016 and 2015, the Group had no major customer who constituted 10% or more of net sales.

Individual financial statement

Independent Auditor's Report
To the Board of Directors of TSRC Corporation:

Opinion

We have audited the financial statements of TSRC Corporation, which comprise the statement of financial position as of December 31, 2016 and 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years ended December 31, 2016 and 2015, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the TSRC Corporation as of December 31, 2016 and 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and 2015 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year end December 31, 2016. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

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

   Description of key audit matter:

   Revenue is the key indicator used by investors and management while evaluating the Company's finance or operating performance. Therefore, the accuracy of the timing and amount of revenue recognition has significant impact to the financial statements. Therefore, we consider it as a key audit matter.

   How the matter was addressed in our audit:

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

2. Inventory measurement

   Please refer to note 4(g), note 5, and note 6(d) for disclosures related to inventory measurement.

   Description of key audit matter:

   The inventory of the Company includes various types of synthetic rubber and its raw material. Since there is an oversupply and a low market demand in the rubber manufacturing industry, which may result in a decline on the price of raw material, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider it as a key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand management's accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the bases used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

1. Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the TSRC Corporation's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the TSRC Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the TSRC Corporation to cease to continue as a going concern.
5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the TSRC Corporation to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Ann-Tien Yu.

KPMG
Taipei, Taiwan (Republic of China)
March 16, 2017

TSRC CORPORATION

Balance Sheets

December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollar)

Assets	Dec.31, 2016 Amount	%	Dec.31, 2015 Amount	%
Current assets:				
Cash and cash equivalents (note 6(a))	$ 211,759	1	398,138	2
Notes receivable, net (note 6(c))	1,305	−	650	−
Accounts receivable, net (note 6(c))	1,314,961	6	983,482	5
Accounts receivable−related-parties (notes 6(c) and 7)	56,205	−	71,401	−
Other receivable (notes 6(c) and 7)	141,662	1	256,358	1
Current income tax assets	54,259	−	54,143	−
Inventories (note 6(d))	2,020,965	9	1,694,446	8
Other current assets	84,552	−	73,437	−
Total current assets	3,885,668	17	3,532,055	16
Non-current assets:				
Available-for-sale financial assets−non-current (note 6(b))	1,116,683	5	1,149,537	5
Investments accounted for under equity method (notes 6(e) and 7)	13,286,327	58	13,246,337	59
Property, plant and equipment (notes 6(f), 6(g) and 9)	2,699,834	12	2,686,179	12
Investment property (note 6(g))	1,625,775	8	1,640,500	8
Intangible assets (note 6(h))	37,972	−	49,355	−
Deferred income tax assets (note 6(l))	87,321	−	86,445	−
Other non-current assets	8,946	−	5,699	−
Total non-current assets	18,862,858	83	18,864,052	84
Total assets	$ 22,748,526	100	22,396,107	100

TSRC CORPORATION

Balance Sheets

December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollar)

	Dec.31, 2016		Dec.31, 2015	
Liabilities and Stockholders' Equity	**Amount**	%	**Amount**	%
Current liabilities:				
Short-term borrowings (note 6(i))	$ 3,065,704	13	1,940,389	9
Current portion of long-term borrowings (notes 6(i) and 8)	400,000	2	–	–
Short-term commercial paper payable (note 6(i))	–	–	299,915	1
Accounts payable	1,121,285	5	557,235	2
Other payable (notes 6(k), 6(m), 6(o) and 7)	510,960	2	546,994	2
Other current liabilities (notes 6(i) and 6(j))	43,179	–	54,333	–
Total current liabilities	5,141,128	22	3,398,866	14
Non-current liabilities:				
Long-term borrowings (note 6(i))	1,600,000	7	2,000,000	9
Provision liabilities-non current (note 7)	22,958	–	32,351	–
Deferred income tax liabilities (note 6(l))	411,205	2	345,172	2
Other non-current liabilities (notes 6(i) and 6(k))	232,014	1	375,033	2
Total non-current liabilities	2,266,177	10	2,752,556	13
Total liabilities	7,407,305	32	6,151,422	27
Shareholders' equity (notes 6(l), 6(m) and 6(s)):				
Common stock	8,257,099	36	8,257,099	37
Capital surplus	849	–	849	–
Retained earnings:				
Legal reserve	3,671,676	16	3,618,765	16
Unappropriated earnings	1,709,336	8	1,795,251	8
	5,381,012	24	5,414,016	24
Other equities:				
Financial statements translation differences for foreign operations	990,359	5	1,672,819	8
Unrealized gain on valuation of available-for-sale financial assets	735,464	3	899,902	4
Loss on effective portion of cash flow hedges	(23,562)	–	–	–
Total equity	1,702,261	8	2,572,721	12
	15,341,221	68	16,244,685	73
Total liabilities and stockholders' equity	$ 22,748,526	100	22,396,107	100

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang Manager :Joseph Chai Chief Accountant :Ming-Huang Chen

TSRC CORPORATION

Statements of Comprehensive Income

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	2016		2015	
	Amount	**%**	**Amount**	**%**
Revenue (notes 6(p) and 7)	$ 8,831,537	100	8,636,050	100
Operating costs (notes 6(d), 6(f), 6(h), 6(j), 6(k) and 6(o))	7,960,783	90	7,628,838	88
Gross profit	870,754	10	1,007,212	12
Less: Unrealized gain (loss) on affiliated transactions	911	–	(7,221)	–
Gross profit, net	869,843	10	1,014,433	12
Operating expenses (notes 6(f), 6(h), 6(j), 6(k), 6(o) and 7):				
Selling expenses	321,552	4	302,177	4
General and administrative expenses	418,162	5	391,958	5
Research and development expenses	213,048	2	207,114	2
Total operating expenses	952,762	11	901,249	11
	226,139	3	182,006	2
Other income and expenses, net (notes 6(g), 6(h), 6(j), 6(k), 6(q) and 7)				
Operating profit	143,220	2	295,190	3
Non-operating income and expenses (notes 6(b), 6(e) and 6(r)):				
Interest income	16,273	–	8,344	–
Other gains and losses	56,577	1	(221,931)	(3)
Finance costs	(57,909)	–	(49,060)	–
Share of profit from the subsidiaries, the associates and the joint ventures	913,405	10	256,182	3
Total non-operating income and expenses	928,346	11	(6,465)	–
Net income before tax	1,071,566	13	288,725	3
Less: income tax expense (benefit) (note 6(l))	83,214	1	(240,390)	(3)
Net income	988,352	12	529,115	6
Other comprehensive income (loss) (notes 6(k), 6(m) and 6(s)):				
Items that will not be reclassified subsequently to profit or loss:				
Remeasurements of the defined benefit plans	(63,624)	(1)	(54,152)	(1)
Income tax benefit (expense) related to items that will not be reclassified subsequently	–	–	–	–
Total Items that will not be reclassified subsequently to profit or loss	(63,624)	(1)	(54,152)	(1)
Items that may be reclassified subsequently to profit or loss:				
Financial statements translation differences for foreign operations	(682,460)	(8)	103,446	1
Unrealized gain (loss) on valuation of available-for-sale financial assets	(32,854)	–	462,944	6
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	(155,146)	(2)	253,751	3
Income tax expense relating to components of other comprehensive income (loss)	–	–	–	–
Total Items that may be reclassified subsequently to profit or loss	(870,460)	(10)	820,141	10
Other comprehensive income (loss), net of tax	(934,084)	(11)	765,989	9
Total comprehensive income	$ 54,268	1	1,295,104	15
Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(n))	$ 1.20		0.64	

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang　　Manager :Joseph Chai　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION

Statements of Changes in Equity

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

			Retained earnings			Other equity adjustments				
	Common stock	Capital surplus	Legal reserve	Unappropriated earnings	Total	Financial statement translation differences for foreign operations	Unrealized gain (loss) on valuation of available-for-sale financial assets	Loss on effective portion of cash flow hedges	Total	Total
Balance at January 1, 2015	$ 8,257,099	849	3,504,631	2,689,501	6,194,132	1,569,373	183,207	–	1,752,580	16,204,660
Appropriations and distributions:										
Legal reserve	–	–	114,134	(114,134)	–	–	–	–	–	–
Cash dividends	–	–	–	(1,255,079)	(1,255,079)	–	–	–	–	(1,255,079)
Net income	–	–	–	529,115	529,115	–	–	–	–	529,115
Other comprehensive income (loss)	–	–	–	(54,152)	(54,152)	103,446	716,695	–	820,141	765,989
Total comprehensive income (loss)	–	–	–	474,963	474,963	103,446	716,695	–	820,141	1,295,104
Balance at December 31, 2015	8,257,099	849	3,618,765	1,795,251	5,414,016	1,672,819	899,902	–	2,572,721	16,244,685
Appropriations and distributions:										
Legal reserve	–	–	52,911	(52,911)	–	–	–	–	–	–
Cash dividends	–	–	–	(875,253)	(875,253)	–	–	–	–	(875,253)
Net income	–	–	–	988,352	988,352	–	–	–	–	988,352
Other comprehensive income (loss)	–	–	–	(63,624)	(63,624)	(682,460)	(164,438)	(23,562)	(870,460)	(934,084)
Total comprehensive income (loss)	–	–	–	924,728	924,728	(682,460)	(164,438)	(23,562)	(870,460)	54,268
Changes in ownership interests in subsidiaries under equity method	–	–	–	(82,479)	(82,479)	–	–	–	–	(82,479)
Balance at December 31, 2016	$ 8,257,099	849	3,671,676	1,709,336	5,381,012	990,359	735,464	(23,562)	1,702,261	15,341,221

Note: For the years 2016 and 2015 the estimated amount of directors' remuneration were $11,180 thousand and $3,199 thousand, respectively, and the estimated amounts of employees' bonuses were amounting to $35,219 thousand and $28,010 thousand, respectively, were recorded as operating cost or operating expenses in the respective periods.

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang　　Manager :Joseph Chai　　Chief Accountant :Ming-Huang Chen

TSRC CORPORATION

Statements of Cash Flows

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	2016	2015
Cash flows from operating activities:		
Net income before tax	$ 1,071,566	288,725
Adjustments:		
Adjustments to reconcile profit and loss		
Depreciation	270,930	263,331
Amortization	20,830	21,780
Interest expenses	57,909	49,060
Interest income	(16,273)	(8,344)
Dividend income	(55,133)	(53,228)
Share of profit from the subsidiaries, the associates and the joint ventures	(913,405)	(256,182)
Losses on disposal of property, plant and equipment, net	–	149
Impairment loss on financial assets	–	300,000
Impairment loss on non-financial assets	–	742
Unrealized gain (loss) on affiliated transactions	911	(7,221)
Unearned revenue from technology provided to investee	(19,147)	(19,147)
Total adjustments to reconcile profit and loss	(653,378)	290,940
Changes in assets / liabilities relating to operating activities:		
Net changes in operating assets:		
Notes receivable	(655)	(475)
Accounts receivable	(331,479)	707,790
Accounts receivable－related-parties	15,196	(27,467)
Other receivable	113,498	(2,694)
Inventories	(326,519)	(41,060)
Other current assets	(11,115)	3,312
Total changes in operating assets, net	(541,074)	639,406
Net changes in operating liabilities:		
Accounts payable	564,050	(118,924)
Other payable	(16,614)	16,004
Other current liabilities	(11,154)	20,551
Net defined benefit liabilities	(200,210)	(13,179)
Other non-current liabilities	(31,692)	(20,062)
Total changes in operating liabilities, net	304,380	(115,610)
Total changes in operating assets / liabilities, net	(236,694)	523,796
Total adjustments	(890,072)	814,736
Cash provided by operating activities	181,494	1,103,461
Interest income received	11,338	1,075
Interest paid	(56,377)	(43,937)
Income tax refund (paid)	(18,173)	4,373
Net cash provided by operating activities	118,282	1,064,972

TSRC CORPORATION

Statements of Cash Flows-continued

For the years ended December 31, 2016 and 2015

(expressed in thousands of New Taiwan dollars)

	2016	2015
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(300,706)	(535,159)
Increase in other non-current assets	(3,247)	(342)
Dividend received	55,133	53,228
Net cash used in investing activities	(248,820)	(482,273)
Cash flows from financing activities:		
Increase in short term borrowings	11,394,816	9,361,668
Decrease in short term borrowings	(10,269,501)	(9,328,104)
Increase in short-term commercial paper payable	1,518,221	8,454,171
Decrease in short-term commercial paper payable	(1,818,136)	(8,658,582)
Increase in long-term borrowings	–	750,000
Decrease in finance lease liabilities	(6,435)	(6,361)
Cash dividends paid	(874,806)	(1,252,972)
Net cash used in financing activities	(55,841)	(680,180)
Decrease in cash and cash equivalents	(186,379)	(97,481)
Cash and cash equivalents at beginning of period	398,138	495,619
Cash and cash equivalents at end of period	$ 211,759	398,138

See accompanying notes to the Consolidated financial Statements

Chairman :Shao Yu Wang Manager :Joseph Chai Chief Accountant :Ming-Huang Chen

TSRC CORPORATION
Notes to the Financial Statements
December 31, 2016 and 2015
(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, hereinafter referred to as "the Company") was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting. In June 2016, the Company changed its registered address is No.2, Singgong Rd., Dashe Dist., Kaohsiung City. The Company is mainly engaged in the manufacture, import, and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials. Please refer to note 14.

(2) Financial Statements Authorization Date and Authorization Process

The financial statements were approved by the Board of Directors and published on March 16, 2017.

(3) New Standards and Interpretations

(a) Impact of the International Financial Reporting Standards ("IFRSs") endorsed by the Financial Supervisory Commission, R.O.C. ("FSC") but not yet in effect

According to Ruling No. 1050026834 issued on July 18, 2016, by the FSC, public entities are required to conform to the IFRSs which were issued by the International Accounting Standards Board (IASB) before January 1, 2016, and were endorsed by the FSC on January 1, 2017 in preparing their financial statements. The related new standards, interpretations and amendments are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "Disclosure Initiative"	January 1, 2016
Amendments to IAS 16 and IAS 38 "Clarification of Acceptable Methods of Depreciation and Amortization"	January 1, 2016
Amendments to IAS 16 and IAS 41 "Agriculture: Bearer Plants"	January 1, 2016
Amendments to IAS 19 "Defined Benefit Plans: Employee Contributions"	July 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 "Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 "Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual improvements cycles 2010-2012 and 2011-2013	July 1, 2014
Annual improvements cycle 2012-2014	January 1, 2016
IFRIC 21 "Levies"	January 1, 2014

The Company assessed that the initial application of the above IFRSs would not have any material impact on the financial statements.

(b) Newly released or amended standards and interpretations not yet endorsed by the FSC

A summary of the new standards and amendments issued by the IASB but not yet endorsed by the FSC. The FSC announced that the Company should apply IFRS 9 and IFRS 15 starting January 1, 2018. As of the date the Company's financial statements were issued, the FSC has yet to announce the effective dates of the other IFRSs. As of the end of reporting date is as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
IFRS 9 "Financial Instruments"	January 1, 2018
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
IFRS 16 "Leases"	January 1, 2019
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share based Payment Transactions"	January 1, 2018
Amendment to IFRS 15 "Clarifications of IFRS 15"	January 1, 2018
Amendment to IAS 7 "Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IFRS 4 "Insurance Contracts" ("Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts")	January 1, 2018
Annual Improvements to IFRS Standards 2014-2016 Cycle:	
IFRS 12 "Disclosure of Interests in Other Entities"	January 1, 2017
IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 28 "Investments in Associates and Joint Ventures"	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018
Amendments to IAS 40 Investment Property	January 1, 2018

The Company is still currently determining the potential impact of the standards listed below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
May 28, 2014 April 12, 2016	IFRS 15 "Revenue from Contracts with Customers"	IFRS 15 establishes a five-step model for recognizing revenue that applies to all contracts with customers, and will supersede IAS 18 "Revenue," IAS 11 "Construction Contracts," and a number of revenue-related interpretations. Final amendments issued on April 12, 2016, clarify how to (i) identify performance obligations in a contract; (ii) determine whether a company is a principal or an agent; (iii) account for a license for intellectual property (IP); and (iv) apply transition requirements.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
November 19, 2013 July 24, 2014	IFRS 9 "Financial Instruments"	The standard will replace IAS 39 " Financial Instruments: Recognition and Measurement" , and the main amendments are as follows: • Classification and measurement: Financial assets are measured at amortized cost, fair value through profit or loss, or fair value through other comprehensive income, based on both the entity's business model for managing the financial assets and the financial assets' contractual cash flow characteristics. Financial liabilities are measured at amortized cost or fair value through profit or loss. Furthermore, there is a requirement that " own credit risk" adjustments be measured at fair value through other comprehensive income. • Impairment: The expected credit loss model is used to evaluate impairment. • Hedge accounting: Hedge accounting is more closely aligned with risk management activities, and hedge effectiveness is measured based on the hedge ratio.
January 13, 2016	IFRS 16 "Leases"	The new standard of accounting for lease is amended as follows: • For a contract that is, or contains, a lease, the lessee shall recognize a right-of-use asset and a lease liability in the balance sheet. In the statement of profit or loss and other comprehensive income, a lessee shall present interest expense on the lease liability separately from the depreciation charge for the right-of use asset during the lease term. • A lessor classifies a lease as either a finance lease or an operating lease, and therefore, the accounting remains similar to IAS 17.

The Company is currently evaluating the impact of the abovementioned standards and amendments on the Company's financial position and operating results. Any related impact will be disclosed when the evaluation is completed.

(4) Significant Accounting Policies

The 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.

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

(a) Statement of compliance

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

(b) Basis of preparation

i) Basis of measurement

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

ii) Functional and presentation currency

The functional currency of each entity is determined based on the primary economic environment. The Company's financial statements are presented in New Taiwan dollars, which is the Company's functional currency.

All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Foreign currency

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

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

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

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

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

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

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

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

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

(e) Cash and cash equivalents

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

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

(f) Financial instruments

Financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments.

i) Financial assets

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

i. Receivables

Receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method.

The fair value is the amount of expected future cash flows discounted to present value. Cash flows from short-term accounts receivable with high collectibility shall not be discounted.

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

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

ii. Available-for-sale financial assets

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

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

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

iii. Derecognition of financial assets

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

ii) Financial liabilities and equity instruments

i. Classification of debt or equity

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

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing. Interest, gains or losses related to financial liabilities are recognized in profit or loss, and recorded under non-operating income and expenses.

ii. Other financial liabilities

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

iii. Derecognition of financial liabilities

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

iv. Offsetting of financial assets and liabilities

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

v. Financial guarantee contract

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

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

(g) Inventories

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

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

(h) Investment in associates

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

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

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

Unrealized profits resulting from the transactions between the Company and an associate are eliminated to the extent of the Company's interest in the associate. Unrealized losses on transactions with associates are eliminated in the same way, except to the extent that the underlying asset is impaired.

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

(i) Investment in subsidiaries

When preparing the Company's financial statements, investments in subsidiaries which are controlled by the Company using the equity method. Under the equity method, the net income, other comprehensive income, and equity in the financial statements are equivalent to those attributable to the shareholders of the parent company in the consolidated financial statements.

Changes in ownership of a subsidiary that do not result in loss of control are accounted for as equity transactions.

If the investment in shares is not made by cash but in exchange with providing service or other assets, the cost of the investment is determined by either the fair value of shares purchased, the fair value of the service provided, or the fair value of the assets exchanged, which ever can be determined more objectively. If the investment in subsidiary is in exchange with service to be provided in the future, the account "investment in equity method" should be credited and reversed to recognized investment income based on the timing of the service provided under a reasonable accounting system.

(j) Joint arrangement

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

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

(k) Property, plant and equipment

i) Recognition and measurement

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

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

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

ii) Reclassification to investment properties

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

iii) Subsequent cost

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

iv) Depreciation

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

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

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

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

i. Land improvements	8~30 years
ii. Buildings	3~60 years
iii. Machinery	3~40 years
iv. Furniture and fixtures, and other equipment	3~8 years

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

(l) Investment property

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

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

(m) Leases

i) Lessor

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

ii) Lessee

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

Other leases are operating leases and are not recognized in the Company's statement of financial position.

Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(n) Intangible assets

Intangible assets comprise computer software and industrial technology and are measured at cost less accumulated amortization and accumulated impairment losses.

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

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

i) Computer software3 years

ii) Industrial technology10 years

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

(o) Impairment—non-financial assets

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

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

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

(p) Provisions

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

(q) Revenue

i) Sale of goods

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

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

ii) Rendering of services

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

iii) Rental income

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

(r) Employee benefits

i) Defined contribution plans

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

ii) Defined benefit plans

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

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

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan.

In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

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

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

iii) Short-term employee benefits

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

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

(s) Income tax

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

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

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

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

Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period.

when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

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

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

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

(t) Earnings per share

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

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

(u) Operating segments

The Company has disclosed information about operating segments in its consolidated financial statements. Hence no further information is disclosed in the financial statements.

(5) Use of Judgements and Estimates

The preparation of the financial statements in conformity with the Guidelines Governing the Preparation of Financial Reports by Securities Issuers requires management to make judgments, estimates, and assumptions that affect the application of the accounting policies and the reported amount of assets, liabilities, income, and expenses. Actual results may differ from these estimates.

The management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the financial statements.

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

Inventory measurement

Since inventories are measured at the lower of cost or net realizable value, the Company evaluated the inventories based on the selling price of the product line or price fluctuation of raw material, and written down the book value to net realizable value. Please refer to note 6(d) for inventory measurement.

(6) Description of Significant Accounts

(a) Cash and cash equivalents

	Dec. 31, 2016	Dec. 31, 2015
Checking and savings deposits	$ 211,759	129,101
Commercial paper with reverse sell agreements	–	269,037
Cash and cash equivalents per statements of cash flow	$ 211,759	398,138

The disclosure of interest rate risk and sensitivity analysis for the Company's financial assets and liabilities is referred to note 6(t).

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

	Dec. 31, 2016	Dec. 31, 2015
Listed stocks (domestic)	$ 368,000	–
Unlisted stocks (domestic or overseas)	748,683	1,149,537
Total	$ 1,116,683	1,149,537

Please refer to note 6(q) for dividend income.

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

	2016		2015	
Fluctuation in market price at reporting date	Other comprehensive income (after tax)	Net income	Other comprehensive income (after tax)	Net income
Increase 10%	$ 111,668	–	114,954	–
Decrease 10%	$ (111,668)	–	(114,954)	–

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

	Foreign currency amount	Exchange rate	NTD
Dec. 31, 2016 THB	$ 173,927	0.9050	157,404
Dec. 31, 2015 THB	276,344	0.9146	252,744

In September 2015, Taiwan High Speed Rail Corporation held a provisional shareholders' meeting to approve for a capital reduction to cover all of its accumulated deficits. The Company evaluated and recognized an impairment loss amounting to $300,000 thousand, which was recorded under non-operating income and expenses other gain and losses.

As of December 31, 2016 and 2015, the Company did not pledge any collateral on available-for-sale financial instruments.

(c) Notes and accounts receivable (including related parties) and other receivable (including related parties)

	Dec. 31, 2016	Dec. 31, 2015
Notes receivable	$ 1,305	650
Accounts receivable	1,314,961	983,482
Accounts receivable－related parties	56,205	71,401
Other receivable	54,582	52,280
Other receivable－related parties	87,080	204,078
	$ 1,514,133	1,311,891

The Company's aging analysis of overdue notes and accounts receivable (including related parties), and other receivable (including related parties) were as follows:

	Dec. 31, 2016	Dec. 31, 2015
Past due 0~30 days	$ 20	14,979
Past due 31~120 days	－	719
	$ 20	15,698

No allowance were provided for the aforementioned notes receivable, accounts receivable (including related parties), and other receivable (including related parties).

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

(d) Inventories

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

	Dec. 31, 2016	Dec. 31, 2015
Raw materials	$ 746,377	364,102
Supplies	19,594	22,536
Work in progress	144,339	157,151
Finished goods	1,097,381	1,144,282
Merchandise	13,274	6,375
Total	$ 2,020,965	1,694,446

As of December 31, 2016 and 2015, the Company did not pledge any collateral on inventories.

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

	2016	2015
Loss on (reversal of) decline in market value of inventory	$ (50,144)	42,963
Income from sale of scrap	(25,242)	(21,438)
Loss on idle capacity	38,749	54,166
Total	$ (36,637)	75,691

The Company reversed the allowance for loss on inventory for the year period ended December 31, 2015, when the Company sold or used the inventories for which an allowance had been provided previously.

(e) Investments accounted for under the equity method

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

	Dec. 31, 2016	Dec. 31, 2015
Subsidiaries	$ 12,755,653	12,638,818
Joint ventures	530,674	607,519
	$ 13,286,327	13,246,337

i) Subsidiaries

One of the subsidiaries was involved with cash injection of the investee. Since the purchase of stock was not acquired proportionatedly, which had resulted in a change in investment percentage, the Company debited retained earnings amounting to $82,479 thousand. Please refer to the 2016 consolidated financial statements for more information.

ii) Joint ventures

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

	Dec. 31, 2016	Dec. 31, 2015
Balance of not significant joint venture's equity	$ 530.674	607,519

Attributable to the Company:	2016	2015
Income from continued operation	$ (108.539)	(43,840)
Other comprehensive income	–	–
Total comprehensive income	$ (108.539)	(43,840)

iii) Collateral

As of December 31, 2016 and 2015, the Company did not pledge any collateral on investments accounted for under the equity method.

(f) Property, plant and equipment

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

		Land	Land improvements	Buildings	Machinery	Furniture and fixtures	Leased assets	Prepayments for equipment and construction in progress	Total
Cost or deemed cost:									
Balance at January 1, 2016	$	614,101	81,412	1,153,816	8,388,462	54,333	94,596	152,557	10,539,277
Additions		–	–	–	–	–	–	279,307	279,307
Disposals		–	–	–	(12,266)	(138)	–	–	(12,404)
Reclassification		–	684	6,192	191,886	5,693	–	(213,902)	(9,447)
Balance at December 31, 2016	$	614,101	82,096	1,160,008	8,568,082	59,888	94,596	217,962	10,796,733
Balance at January 1, 2015	$	614,101	57,769	1,159,543	7,954,540	53,339	94,596	217,493	10,151,381
Additions		–	–	–	–	–	–	539,119	539,119
Disposals		–	–	(5,727)	(135,184)	(222)	–	–	(141,133)
Reclassification		–	23,643	–	569,106	1,216	–	(604,055)	(10,090)
Balance at December 31, 2015	$	614,101	81,412	1,153,816	8,388,462	54,333	94,596	152,557	10,539,277

Depreciation and impairment loss:		Land	Land improvements	Buildings	Machinery	Furniture and fixtures	Leased assets	Prepayments for equipment and construction in progress	Total
Balance at January 1, 2016	$	–	57,945	786,322	6,960,588	48,243	–	–	7,853,098
Depreciation		–	2,513	26,036	225,171	2,485	–	–	256,205
Disposal		–	–	–	(12,266)	(138)	–	–	(12,404)
Balance at December 31, 2016	$	–	60,458	812,358	7,173,493	50,590	–	–	8,096,899
Balance at January 1, 2015	$	–	56,877	765,761	6,877,674	44,422	–	–	7,744,734
Depreciation		–	1,068	26,288	217,207	4,043	–	–	248,606
Impairment loss		–	–	–	742	–	–	–	742
Disposal		–	–	(5,727)	(135,035)	(222)	–	–	(140,984)
Balance at December 31, 2015	$	–	57,945	786,322	6,960,588	48,243	–	–	7,853,098
Carrying value:									
December 31, 2016	$	614,101	21,638	347,650	1,394,589	9,298	94,596	217,962	2,699,834
December 31, 2015	$	614,101	23,467	367,494	1,427,874	6,090	94,596	152,557	2,686,179
January 1, 2015	$	614,101	892	393,782	1,076,866	8,917	94,596	217,493	2,406,647

The Company did not pledge any collateral on property, plant and equipment.

(g) Investment property

		Land	Buildings	Total
Cost:				
Balance as at January 1, 2016	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2016	$	1,073,579	741,889	1,815,468
Balance as at January 1, 2015	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2015	$	1,073,579	741,889	1,815,468
Depreciation:				
Balance as at January 1, 2016	$	–	174,968	174,968
Depreciation		–	14,725	14,725
Balance as at December 31, 2016	$	–	189,693	189,693
Balance as at January 1, 2015	$	–	160,243	160,243
Depreciation		–	14,725	14,725
Balance as at December 31, 2015	$	–	174,968	174,968
Carrying value:				
Balance as at December 31, 2016	$	1,073,579	552,196	1,625,775
Balance as at December 31, 2015	$	1,073,579	566,921	1,640,500
Balance as at January 1, 2015	$	1,073,579	581,646	1,655,225
Fair value:				
Balance as at December 31, 2016				$ 3,148,146
Balance as at December 31, 2015				$ 3,148,146
Balance as at January 1, 2015				$ 3,148,146

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 2~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(q) for further information.

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

Region	2016	2015
Da'an Dist., Taipei City	2.18%~2.34%	2.18%~2.34%

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

As of December 31, 2016 and 2015, The Company did not pledge any collateral on investment properties.

(h) Intangible assets

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

		Industrial technology	Computer software	Total
Costs:				
Balance at January 1, 2016	$	41,756	114,774	156,530
Reclassification		–	9,447	9,447
Balance at December 31, 2016	$	41,756	124,221	165,977
Balance at January 1, 2015	$	41,756	104,684	146,440
Reclassification		–	10,090	10,090
Balance at December 31, 2015	$	41,756	114,774	156,530
Amortization:				
Balance at January 1, 2016	$	13,572	93,603	107,175
Amortization		4,176	16,654	20,830
Balance at December 31, 2016	$	17,748	110,257	128,005
Balance at January 1, 2015	$	9,396	75,999	85,395
Amortization		4,176	17,604	21,780
Balance at December 31, 2015	$	13,572	93,603	107,175
Carrying value:				
December 31, 2016	$	24,008	13,964	37,972
December 31, 2015	$	28,184	21,171	49,355
January 1, 2015	$	32,360	28,685	61,045

i) In 2016 and 2015, the amortization of intangible assets were as follows:

	2016	2015
Operating costs	$ 1,083	307
Operating expenses	$ 19,075	18,601
Other income and expenses	$ 672	2,872

ii) The Company did not pledge any collateral on intangible assets.

(i) Short-term and long-term borrowings

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

i) Short-term borrowings

	Dec. 31, 2016		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.78~1.90	2017	$ 3,065,704

	Dec. 31, 2015		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.87~1.10	2016	$ 1,940,389

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

As of December 31, 2016 and 2015, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $5,098,506 thousand and $6,647,930 thousand, respectively.

ii) Short-term commercial paper payable

The details of the Company's short-term commercial paper payable were as follows:

	Dec. 31, 2015		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	INTERNATIONAL BILLS FINANCE CORPORATION	1.15	$ 100,000
Commercial paper payable	CHINA BILLS FINANCE CORPORATION	0.99	200,000
			300,000
Less: discount			85
Total			$ 299,915

iii) Long-term borrowings

	Dec. 31, 2016			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	NTD	1.44	2017~2019	$ 2,000,000
Current				$ 400,000
Non-current				1,600,000
Total				$ 2,000,000

	Dec. 31, 2015			
	Currency	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	NTD	1.54~1.60	2017~2019	$ 2,000,000
Current				$ –
Non-current				2,000,000
Total				$ 2,000,000

The Company disclosed related risk exposure to the financial instruments in note 6(t).

iv) Collateral of loans

The Company did not provide assets as pledge assets for the loans and short-term commercial paper payable.

v) Finance lease liabilities

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

The finance lease liabilities payable were as follows:

December 31, 2016	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 7,064	77	6,987
Between one and five years	28,256	1,054	27,202
More than five years	17,659	2,917	14,742
	$ 52,979	4,048	48,931

December 31, 2015	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$ 7,064	76	6,988
Between one and five years	28,256	1,054	27,202
More than five years	24,723	3,547	21,176
	$ 60,043	4,677	55,366

(j) Operating leases

i) Lessee

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

	Dec. 31, 2016	Dec. 31, 2015
Less than five years	$ 13,516	26,663

The Company leases offices and factory facilities under operating leases. The leases typically run for a period of 4 to 5 years, with an option to renew the lease. The lease payment will be adjusted to reflect market price when renewing the contract.

For the years ended December 31, 2016 and 2015, lease expenses were $18,726 thousand and $17,991 thousand, respectively.

ii) Lessor

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

	Dec. 31, 2016	Dec. 31, 2015
Less than five years	$ 84,562	119,996

(k) Employee benefits

i) Defined benefit plans

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

	Dec. 31, 2016	Dec. 31, 2015
The present value of the defined benefit obligations	$ 636,379	632,181
Fair value of plan assets	(462,360)	(321,576)
The net defined benefit liability	$ 174,019	310,605

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

i. Composition of plan assets

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

The Company's Bank of Taiwan labor pension reserve account balance amounted to $462,360 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labors.

ii. Movements in present value of defined benefit obligation

The movements in present value of the Company's defined benefit obligation for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Defined benefit obligation as of 1 January	$ 632,181	653,870
Current service costs and interest	18,251	21,409
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding current interest expense)	32,301	34,360
—Due to changes in financial assumption of actuarial (losses) gains	29,153	21,983
Benefits paid by the plan	(75,507)	(99,441)
Defined benefit obligation as of 31 December	$ 636,379	632,181

iii. Movements in fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Fair value of plan assets as of January 1	$ 321,576	384,238
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding current interest expense)	3,072	9,927
Contributions made	213,219	26,852
Benefits paid by the plan	(75,507)	(99,441)
Fair value of plan assets as of December 31	$ 462,360	321,576

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Current service cost	$ 8,171	8,557
Net interest on the defined benefit liability (asset)	4,838	5,116
	$ 13,009	13,673

	2016	2015
Operating costs	$ 8,150	8,768
Operating expenses	4,295	4,100
Other income and expenses	564	805
	$ 13,009	13,673

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

The Company's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Balance of January 1	$ (117,260)	(63,108)
Recognized during the period	(63,624)	(54,152)
Balance of December 31	$ (180,884)	(117,260)

vi. Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting dates:

	Dec. 31, 2016	Dec. 31, 2015
Discount rate	1.125%	1.625%
Future salary increases rate	1.500%	1.500%

The Company expects to make contributions of $4,723 thousand to the defined benefit plans in the next year starting from the reporting date of 2016.

The weighted average duration of the defined benefit plan is 12.14 years.

vii. Sensitivity analysis

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

As of December 31, 2016 and 2015, the effects of the present value of the defined benefit obligation arising from changes in principle actuarial assumptions were as follows:

	The impact of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2016		
Discount rate	$ (14,826)	15,350
Future salary increase rate	14,840	(14,404)
December 31, 2015		
Discount rate	(14,776)	15,336
Future salary increase rate	14,885	(14,430)

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

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

ii) Defined contribution plans

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

The Company's pension costs under the defined contribution plan were $19,750 thousand and $18,849 thousand for the years 2016 and 2015, respectively. Payments were made to the Bureau of Labor Insurance.

iii) Short-term employee benefit liabilities

	Dec. 31, 2016	Dec. 31, 2015
Compensated absence liabilities	$ 21,592	21,414

(l) Income tax

i) Income tax expenses (benefit)

The amount of the Company's income tax expenses (benefit) for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Current income tax expense (benefit)		
Current period	$ 15,842	13,732
Adjustment for prior periods	2,215	15,836
	18,057	29,568
Deferred tax expense (benefit)		
Origination and reversal of temporary differences	65,157	(269,958)
Income tax expense (benefit) on continuing operations	$ 83,214	(240,390)

Reconciliations of the Company's income tax expense (benefit) and the profit before tax for 2016 and 2015 were as follows:

	2016	2015
Income before tax	$ 1,071,566	288,725
Income tax calculated on pretax accounting income at statutory rate	$ 182,166	49,083
Dividend income	(8,193)	(7,015)
Adjustment for prior periods	(3,360)	13,680
Foreign investment income	(107,439)	(316,381)
R&D tax credits utilized	(14,913)	(1,033)
Others	34,953	21,276
Total	$ 83,214	(240,390)

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2016 and 2015 were as follows:

Deferred tax assets:	Provision for retirement benefit	Allowance for inventory valuation	Loss carryforward	Others	Total
Balance at January 1, 2016	$ 46,049	20,639	–	19,757	86,445
Recognized in profit or loss	(26,345)	(14,408)	37,042	4,587	876
Balance at December 31, 2016	$ 19,704	6,231	37,042	24,344	87,321
Balance at January 1, 2015	$ 45,578	9,903	–	26,923	82,404
Recognized in profit or loss	471	10,736	–	(7,166)	4,041
Balance at December 31, 2015	$ 46,049	20,639	–	19,757	86,445

Deferred tax liabilities:	Foreign investment income accounted for under equity method	Depreciation difference between financial and tax reporting	Land value increment tax	Others	Total
Balance at January 1, 2016	$ 244,995	32,121	56,683	11,373	345,172
Recognized in profit or loss	66,292	(370)	–	111	66,033
Balance at December 31, 2016	$ 311,287	31,751	56,683	11,484	411,205
Balance at January 1, 2015	$ 510,372	33,512	56,683	10,522	611,089
Recognized in profit or loss	(265,377)	(1,391)	–	851	(265,917)
Balance at December 31, 2015	$ 244,995	32,121	56,683	11,373	345,172

iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2013.

iv) Imputation tax information

The components of unappropriated earnings were as follows:

	Dec. 31, 2016	Dec. 31, 2015
Derived from year 1997 and prior years	$ 1,637	1,637
Derived from year 1998 and thereafter	1,707,699	1,793,614
	$ 1,709,336	1,795,251

	Dec. 31, 2016	Dec. 31, 2015
Balance of imputation credit account (ICA)	$ 93,274	181,192

The imputation tax credit ratio of earnings to be distributed in 2016 is estimated at 5.46%. The actual imputation tax credit ratio of earnings distributed in 2016 was 10.32%.

Effective January 1, 2015, the imputation tax credit of dividends or earnings distributed to individual shareholder who are residents of the ROC was adjusted to half of the original amount. Furthermore, the imputation tax credit of dividends or earnings distributed to individual shareholders resulting from the 10% surtaxon unappropriated earnings was also adjusted to half of the original amount.

(p) Capital and other equity

As of December 31, 2016 and 2015, the total value of authorized ordinary shares amounted to $9,000,000 thousand, with par value of $10 per share, of which 825,709,978 shares were issued.

i) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2016 and 2015, were as follows:

	Dec. 31, 2016	Dec. 31, 2015
Share premium	$ 849	849

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

ii) Retained earnings

i. Legal reserve

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

ii. Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) were reclassified to retained earnings at the adoption date. In accordance with Ruling Number 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified $(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

iii. Distribution of retained earnings

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

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

In accordance with the revised ROC Company Act, remuneration for employees, directors and supervisors is no longer subject to earnings distribution. With respect to the items of earnings distribution, the stockholders' meeting on June 24, 2016, approved a resolution to amend the articles of the Company. Please refer to note 6(o).

The appropriations of 2015 and 2014 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 24, 2016, and June 10, 2015, respectively, were as follows:

	2016		2015	
Dividends distributed to common shareholders:	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Cash	$ 1.06	875,253	1.52	1,255,079

iii) Other equities

	Foreign exchange differences arising from foreign operation	Effective portion of cash flow hedges	Available-for-sale financial assets	Total
Balance as of January 1, 2016	$ 1,672,819	–	899,902	2,572,721
Foreign exchange differences arising from foreign operation	(682,460)	–	–	(682,460)
Unrealized gains (losses) from available-for-sale financial assets-the Company	–	–	(32,854)	(32,854)
Unrealized gains (losses) from available-for-sale financial assets-the subsidiary	–	–	(131,584)	(131,584)
Share of other comprehensive income of associates accounted for under equity method, losses on effective portion of cash flow hedges	–	(23,562)	–	(23,562)
Balance as of December 31, 2016	$ 990,359	(23,562)	735,464	1,702,261
Balance as of January 1, 2015	$ 1,569,373	–	183,207	1,752,580
Foreign exchange differences arising from foreign operation	103,446	–	–	103,446
Unrealized gains (losses) from available-for-sale financial assets-the Company	–	–	462,944	462,944
Unrealized gains (losses) from available-for-sale financial assets-the subsidiary	–	–	253,751	253,751
Balance as of December 31, 2015	$ 1,672,819	–	899,902	2,572,721

(n) arnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for the years ended December 31, 2016 and 2015, were as follows:

i) Basic earnings per share

	2016	2015
Net income attributable to common shareholders of the Company	$ 988,352	529,115
Weighted-average number of common shares	825,710	825,710
Basic earnings per share (in NT dollars)	$ 1.20	0.64

ii) Diluted earnings per share

	2016	2015
Net income attributable to common shareholders of the Company (diluted)	$ 988,352	529,115
Weighted-average number of common shares (basic)	825,710	825,710
Impact of potential common shares		
Effect of employees' bonuses	1,272	1,011
Weighted-average number of shares outstanding (diluted)	826,982	826,721
Diluted earnings per share (in NT dollars)	$ 1.20	0.64

(o) Employees' compensation and directors' remuneration

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

For the year ended December 31, 2016, and 2015, the Company estimated its employees' compensation were $35,219 thousand and $28,010 thousand, respectively, and the estimated amounts of directors' remuneration were $11,180 thousand and $3,199 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. The differences between the estimated amounts and those recognized in the financial statements approved by the Board of Directors and announced to the public, if any, shall be accounted for as a change in accounting estimate and recognized in profit or loss in the next year.

(p) Revenue

The details of the Company's revenue for the years ended December 31, 2016 and 2015 were as follows:

	2016	2015
Sale of goods	$ 8,831,537	8,636,050

(q) Other income and expenses

The components of the Company's other income and expenses for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Rental income	$ 71,770	69,528
Royalty income	115,451	91,354
Net service income	25,128	50,815
Depreciation of investment properties	(14,725)	(14,725)
Net other income	28,515	(14,966)
	$ 226,139	182,006

(r) Non-operating income and expenses

i) Other gains and losses

The components of the Company's other gains and losses for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Dividend income	$ 55,133	53,228
Foreign exchange gain, net	2,473	26,797
Loss on disposal of property, plant and equipment	–	(149)
Impairment loss on financial assets	–	(300,000)
Impairment loss on non-financial assets	–	(742)
Others	(1,029)	(1,065)
	$ 56,577	(221,931)

ii) Finance costs

The components of the Company's finance costs for the years ended December 31, 2016 and 2015, were as follows:

	2016	2015
Interest expenses	$ 57,909	49,060

(s) Reclassification of components of other comprehensive income

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

	2016	2015
Effective portion of cash flow hedges:		
Net losses for current year	$ (32,202)	–
Less: Adjustment of reclassification included in profit or loss	8,640	–
Net losses recognized in other comprehensive income	$ (23,562)	–
Available-for-sale financial assets		
Net change in fair value for current period	$ (164,438)	716,695
Net change in fair value reclassified to profit or loss	–	–
Net changes in fair value recognized in other comprehensive income	$ (164,438)	716,695

(t) Financial instruments

i) Credit risk

i. Credit risk exposure

The maximum credit risk exposure of the Company's financial assets is equal to their carrying amount. As of December 31, 2016 and 2015, the maximum credit risk exposure amounted to $2,842,575 thousand, $2,859,566 thousand, respectively.

ii. Concentration of credit risk

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

The Company guarantees bank loans for investees. The Company concluded that it is not exposed to credit risk for these transactions.

ii) Liquidity risk

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

	Carrying amount	Within 6 months	6-12 months	1-2 years	2-5 years	More than 5 years
December 31, 2016						
Non-derivative financial liabilities						
Short-term borrowings	$ 3,069,708	3,069,708	–	–	–	–
Accounts payable	1,121,285	1,121,285	–	–	–	–
Other payable	360,146	360,146	–	–	–	–
Long-term borrowings	2,049,426	13,489	412,937	817,250	805,750	–
Financial guarantee contracts	1,692,906	531,185	–	429,956	–	731,765
	$ 8,293,471	5,095,813	412,937	1,247,206	805,750	731,765
December 31, 2015						
Non-derivative financial liabilities	$ 1,942,809	1,942,809	–	–	–	–
Short-term borrowings	300,000	300,000	–	–	–	–
Short-term commercial paper payable	557,235	557,235	–	–	–	–
Accounts payable	420,088	420,088	–	–	–	–
Other payable	2,085,674	16,358	15,754	428,356	1,625,206	–
Long-term borrowings	2,651,056	399,840	575,348	574,770	440,439	660,659
Financial guarantee contracts	$ 7,956,862	3,636,330	591,102	1,003,126	2,065,645	660,659

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

iii) Currency risk

i. Risk exposure

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

		Foreign currency	Exchange rate	NTD
December 31, 2016				
Financial assets:				
Monetary assets:				
USD	$	30,466	32.2790	983,412
EUR	$	1,267	33.9100	42,964
JPY	$	12,592	0.2758	3,473
CNY	$	11,050	4.6190	51,040
Financial liabilities:				
Monetary liabilities:				
USD	$	59,131	32.2790	1,908,690
EUR	$	1,314	33.9100	44,558
JPY	$	15,639	0.2758	4,313
CNY	$	25	4.6190	115
December 31, 2015				
Financial assets:				
Monetary assets:				
USD	$	27,803	33.0660	919,334
EUR	$	1,176	35.8900	42,207
JPY	$	30,096	0.2730	8,216
CNY	$	14,821	4.9980	74,075
Financial liabilities:				
Monetary liabilities:				
USD	$	35,263	33.0660	1,166,006
EUR	$	1,899	35.8900	68,155
JPY	$	26,218	0.2730	7,158
CNY	$	261	4.9980	1,304

ii. Sensitivity analysis

The Company's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the USD, EUR, CNY and JPY had appreciated / depreciated by 1% the Company's net income before tax would have increase/decreased by $8,768 thousand and $1,988 thousand for the years ended December 31, 2016 and 2015, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

iii. Foreign exchange gain and loss on monetary item

The amount, expressed in functional currency, of foreign exchange gain and loss (including realized and unrealized portion) of the Company's monetary items, and the exchange rate used to translate the original amount to the Company's functional currency, NTD (also the expressed currency), were as follows:

	2016		2015	
	Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
USD	$ (2,376)	32.322	24,455	31.904
CNY	2,017	4.855	1,021	5.040
Other	2,832	−	1,321	−

iv) Interest rate risk analysis

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

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

If the interest rate had increased / decreased by 1%, the Company's net income before tax would have increased / ecreased by $50,657 thousand and $39,404 thousand for the years ended December 31, 2016 and 2015, respectively, with all other variable factors remaining constant. This is mainly due to the Company's borrowing at floating rates.

v) Fair value

i. Categories and fair value of financial instruments

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

	Dec. 31, 2016				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) listed stocks	$ 368,000	368,000	−	−	368,000
Domestic (Oversea) unlisted stocks	748,683	−	748,683	−	748,683
Subtotal	1,116,683	368,000	748,683	−	1,116,683
Loans and receivables					
Cash and cash equivalents	211,759	−	−	−	−
Accounts and notes (including related parties)	1,372,471	−	−	−	−
Other receivables	141,662	−	−	−	−
Subtotal	1,725,892	−	−	−	−
Total	$ 2,842,575	368,000	748,683	−	1,116,683
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 3,065,704	−	−	−	−
Long-term debts (including current portion)	2,000,000	−	−	−	−
Accounts payables	1,121,285	−	−	−	−
Other payables	360,146	−	−	−	−
Total	$ 6,547,135	−	−	−	−

	Dec. 31, 2015				
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) unlisted stocks	$ 1,149,537	–	1,149,537	–	1,149,537
Loans and receivables					
Cash and cash equivalents	398,138	–	–	–	–
Accounts and notes (including related parties)	1,055,533	–	–	–	–
Other receivables	256,358	–	–	–	–
Subtotal	1,710,029	–	–	–	–
	$ 2,859,566	–	1,149,537	–	1,149,537
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 1,940,389	–	–	–	–
Short-term notes and bills payable	299,915	–	–	–	–
Long-term debts (including current portion)	2,000,000	–	–	–	–
Accounts payables	557,235	–	–	–	–
Other payables	420,088	–	–	–	–
Total	$ 5,217,627	–	–	–	–

ii. Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Company have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Company uses market comparison approach to evaluate the fair value. The main assumption is based on the investee's earnings after tax and the listed (over the counter) company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity.

(u) Financial risk management

i) Overview

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

i. Credit risk

ii. Liquidity risk

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

ii) Risk management framework

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

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

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

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

iii) Credit risk

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

I. Trade and other receivables

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. In 2016 and 2015, there was no geographical concentration of credit risk regarding the Company's revenue.

The sales department and the finance department of the Company has established a credit policy under which each new customer is an alyzed individually for creditworthiness before the Company's standard payment and delivery terms and conditions are offered. The Company's review includes the history of transactions with the counter-party, its financial position, and geographic considerations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Company's benchmark creditworthiness may transact with the Company only on a prepayment basis. Goods are sold subject to a retention of title clause so that in the event of non-payment, the Company may have a secured claim. The Company otherwise does not require collateral in respect of trade and other receivables.

The Company has established an allowance of doubtful accounts to reflect actual and estimated potential losses resulting from uncollectible account and trade receivables. The allowance of doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on statistics from payment histories of similar customer groups.

ii. Investments

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

iii. Guarantees

The Company's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided to subsidiaries, associates, and jointly controlled entities by the Company as of December 31, 2016 and 2015, are disclosed in note 7 “Related-party Transactions.”

iv) Liquidity risk

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

v) Market risk

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

I. Currency risk

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

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

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

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

The Company does not hedge against investments in subsidiaries.

ii. Interest rate risk

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

iii. Other market price risk

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

(v) Capital management

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

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

	Dec. 31, 2016	Dec. 31, 2015
Total liabilities	$ 7,407,305	6,151,422
Total equity	15,341,221	16,244,685
Total assets	$ 22,748,526	22,396,107
Debts ratio	32%	27%

As of December 31, 2016, there were no material changes in the Company's debts ratio.

(7) Related-party Transactions

(a) List of subsidiaries

		Percentage of ownership	
	Location	Dec. 31, 2016	Dec. 31, 2015
Trimurti Holding Corporation	B.V.I	100.00	100.00
Hardison International Corporation	B.V.I	100.00	100.00
Dymas Corporation	B.V.I	100.00	100.00
TSRC (HONG KONG) Limited	Hong Kong	100.00	100.00
TSRC (Shanghai) Industries Ltd	China	100.00	100.00
TSRC (Lux.) Corporation S.'a.r.l.	Luxemburg	100.00	100.00
TSRC (USA) Investment Corporation	USA	100.00	100.00
Dexco Polymers L.P.	USA	100.00	100.00
Polybus Corporation Pte Ltd.	Singapore	100.00	100.00
Shen Hua Chemical	China	65.44	65.44
TSRC-UBE (Nantong) Chemical Industrial Co., Ltd	China	55.00	55.00
TSRC (Nantong) Industries Ltd	China	100.00	100.00
Triton International Holdings Corporation	B.V.I	100.00	100.00
TSRC Biotech Ltd.	Cayman	100.00	100.00
Nantong Qix Storage Co., Ltd	China	50.00	50.00

(b) Parent company and ultimate controlling party

The Company is the ultimate controlling party of the subsidiaries.

(c) Significant transactions with related parties

i) Revenue

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

	2016	2015
Subsidiaries	$ 372,420	167,214

There were no significant differences between the pricing of sales transactions with related parties and that with other customers. The payment terms ranged from two to three months, which were similar to those given to other customers.

ii) Purchases

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

	2016	2015
Subsidiaries	$ 89,522	26,801

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

iii) Service income and expenses

I. The Company provided management, technologies and IT services to its subsidiaries, associates, and joint ventures. The amounts recognized as other income and expenses were as follows:

	2016	2015
Subsidiaries	$ 104,594	112,575
Associates and joint ventures	51,089	59,174
	$ 155,683	171,749

ii. The Company received consulting services such as marketing, financing and research services from its subsidiaries. In 2016 and 2015, the services amounted to $56,811 thousand and $59,842 thousand, respectively, and were recorded under operating expenses.

iv) Receivable from related parties

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

Accounts	Type of related parties	Dec. 31, 2016	Dec. 31, 2015
Accounts receivable—related parties	Subsidiaries	$ 56,205	71,401
Other receivable	Associates and joint ventures	16,429	91,273
Other receivable	Subsidiaries	70,651	112,805
		$ 143,285	275,479

v) Payable to related parties

As the result of the aforementioned transactions, the details of the Company's payable to related parties were as follows:

Accounts	Type of related parties	Dec. 31, 2016	Dec. 31, 2015
Other payable	Subsidiaries	$ 28,876	57,045

vi) Guarantees

As of December 31, 2016 and 2015, the Company had provided guarantees on the bank loans of its subsidiaries, associates and joint ventures. The credit limits of the guarantees were $2,725,834 thousand and $4,866,478 thousand, respectively, and the Company increased provision liabilities and the investments accounted for under equity method by $22,958 thousand and $32,351 thousand, respectively.

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2016	2015
Short-term employee benefits	$ 78,088	50,558
Post-employment benefits	2,334	396
	$ 80,422	50,954

(8)Pledged Assets: None.

(9) Significant Commitments and Contingencies

(a) As of December 31, 2016 and 2015, the Company's unused letters of credit outstanding for purchases of materials were $1,948,220 thousand, $562,902 thousand, respectively.

(b) As of December 31, 2016 and 2015, the Company's signed construction and design contracts with several factories totaled $78,378 thousand, $13,050 thousand, respectively, of which $43,013 thousand, $7,830 thousand, respectively, were paid.

(10) Significant Losses from Calamity: None.

(11) Significant Subsequent Events: None.

(12) Others

The employee benefit expenses, depreciation and amortization, categorized by function, were as follows:

By function / By nature	2016			2015		
	Operating cost	Operating expenses	Total	Operating cost	Operating expenses	Total
Employee benefits						
Salary	333,201	287,401	620,602	320,379	256,545	576,924
Labor and health insurance	25,587	21,790	47,377	26,366	20,606	46,972
Pension (note 1)	17,570	14,046	31,616	17,877	12,848	30,725
Others (note 2)	42,749	61,004	103,753	37,766	49,485	87,251
Depreciation (Note 3)	204,848	51,357	256,205	188,843	59,763	248,606
Amortization (note 4)	1,083	19,075	20,158	307	18,601	18,908

note 1: Pension expenses excluded expenses for employees on international assignments amounting to $1,143 thousand and $1,797 thousand for the years 2016 and 2015, respectively.

note 2: Others personnel expenses in cluded meals, employee welfare, training expenses, employees' bonus, and directors' remuneration.

note 3: Depreciation expenses for investment property recognized under other income and expenses, amounting to $14,725 thousand for the years 2016 and 2015 were excluded.

note 4: Amortization of intangible assets recognized under other income and expenses amounting to $672 thousand and $2,872 thousand for the years 2016 and 2015, respectively, was excluded.

The average employee numbers were 615 and 594 for the years 2016 and 2015, respectively.

(a) Information on significant transactions

As of January1 to December 31 2016, the following is the information on significant transactions required by the " Regulations Governing the Preparation of Financial Reports by Securities Issuers" for the Company:

i) Loans extended to other parties: None.

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 year	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 endorsement / guarantees to third parties on behalf of subsidiary	Subsidiary endorsement / guarantees to third parties on behalf of parent company	Endorsements /guarantees to third parties on behalf of company in China
		Name	Relationship with the company										
0	TSRC Corp.	TSRC (USA) Investment Corporation	3	(Note 2)	1,032,928	1,032,928	619,757	–	6.73%	(Note 3)	Y		
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	3	(Note 2)	1,129,765	–	–	–	– %	(Note 3)	Y		Y
0	TSRC Corp.	Arlanxeo TSRC (Nantong) Chemical Industries Co., Ltd. (Note 5)	6	(Note 2)	1,462,360	531,185	494,254	–	3.46%	(Note 3)			Y
0	TSRC Corp.	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,806,655	1,161,721	1,074,890	–	7.57%	(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 50% directly owned by the guarantor.

(3) An investee whose common stock is more than 50% owned by the parent company and its subsidiary in aggregate.

(4) The parent company owns, directly or indirectly via subsidiaries, more than 50% 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 to 50% of issued capital, amounting to $4,128,550 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to $23,011,832 thousand.

Note 4: The transactions within the Group were eliminated in the consolidated financial statements.

Note 5: Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd. Registered for a name change and has been called Arlanxeo-TSRC (Nantong) Chemical Industrial Co., Ltd. since May 2016.

iii) Securities held as of December 31, 2016
(excluding investment in subsidiaries, associates and joint ventures):

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 Corp.	Taiwan High Speed Rail Corporation	—	Available-for-sale financial assets—non-current	20,000,000	368,000	0.36%	368,000	
TSRC Corp.	Evergreen Steel Corporation	—	Available-for-sale financial assets—non-current	12,148,000	327,267	3.00%	327,267	
TSRC Corp.	Thai Synthetic Rubbers Co., Ltd.	—	Available-for-sale financial assets—non-current	599,999	157,404	5.42%	157,404	
TSRC Corp.	Hsin-Yung Enterprise Corporation	—	Available-for-sale financial assets—non-current	5,657,000	264,012	3.90%	264,012	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	—	Available-for-sale financial assets—non-current	837,552	219,723	7.57%	219,723	
TSRC Biotech Ltd.	Pulse Metric Inc.	—	Available-for-sale financial assets—non-current	312,500	—	6.23%	(Note 1)	
TSRC Biotech Ltd.	CytoPharm, Inc.	—	Available-for-sale financial assets—non-current	95,108	—	0.17%	(Note 1)	
					1,336,406		1,336,406	

Note 1: The securities were written down due to impairment loss.

iv) Accumulated holding amount of a single security in excess of $300 million or 20% of TSRC's issued share capital: None.
v) Acquisition of real estate in excess of $300 million or 20% of TSRC's issued share capital: None.
vi) Disposal of real estate in excess of $300 million or 20% of TSRC's issued share capital: None.
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				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)	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC	Related parties	Purchase	110,044	4.93%	70 days	—	—	(14,092)	(3.97)%	
TSRC	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(110,044)	(1.25)%	70 days	—	—	14,092	1.01%	

Name of company	Counter -party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Polybus Corporation Pte Ltd.	TSRC	Related parties	Purchase	132,833	17.75%	70 days	—	—	(11,375)	(18.59)%	
TSRC	Polybus Corporation Pte Ltd.	Related parties	Sale	(132,833)	(1.50)%	70 days	—	—	11,375	0.82%	
TSRC (Nantong) Industries Ltd	TSRC	Related parties	Purchase	120,221	5.58%	60 days after date of dispatch	—	—	(27,828)	(17.64)%	
TSRC	TSRC (Nantong) Industries Ltd	Related parties	Sale	(120,221)	(1.36)%	60 days after date of dispatch	—	—	27,828	2.00%	
TSRC-UBE (Nantong) Industries Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd.	Purchase	130,874	6.77%	14 days	—	—	(2,535)	(3.03)%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	412,562	55.12%	40 days	—	—	(23,409)	(38.26)%	
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd.	Related parties	Sale	(412,562)	(9.99)%	40 days	—	—	23,409	4.35%	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industries Co., Ltd.	Related parties	Purchase	142,609	19.05%	40 days	—	—	(18,421)	(30.11)%	
Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(142,609)	(1.92)%	40 days	—	—	18,421	1.38%	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	897,653	40.18%	90 days	—	—	(98,795)	(27.85)%	

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(897,653)	(22.37)%	90 days	—	—	98,795	28.06%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	1,223,023	54.74%	70 days	—	—	(245,838)	(69.30)%	
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,223,023)	(29.62)%	70 days	—	—	245,838	45.65%	
Dexco Polymers L.P.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	150,691	6.82%	70 days	—	—	(36,506)	(19.51)%	
TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	Related parties	Sale	(150,691)	(3.65)%	70 days	—	—	36,506	6.78%	

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 (Note 1)	Allowances for bad debts
					Amount	Action taken		
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	245,838	4.54	—	—	83,353	—

Note 1: Until March 16, 2017.

ix) Derivative financial instrument transactions: None.

(b) Information on investees:

The following is the information on investees for the year 2016 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2016	Dec. 31, 2015	Shares	Percentage of ownership	Book value			
TSRC Corp.	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%	11,785,065	940,751	937,378	Subsidiary
TSRC Corp.	Hardison International Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	109,442	109,442	3,896,305	100.00%	807,318	68,951	68,951	Subsidiary
TSRC Corp.	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	38,376	38,376	1,161,004	19.48%	163,270	80,161	15,615	Subsidiary (Note 2)
TSRC Corp.	Taiwan Advanced Materials Corp.	No 39, Bengong 1st Rd., Gangshan Dist., Kaohsiung City, Taiwan (R.O.C.)	Production and sale of synthetic rubber products	720,000	720,000	72,000,000	48.00%	530,674	(226,124)	(108,539)	-
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd.	100 Peck Seah Street #09-16 Singapore 079333	International commerce and investment corporation	2,101,395 (USD 65,101)	2,101,395 (USD 65,101)	105,830,000	100.00%	6,962,463	802,258	796,125	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited.	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation	2,512,920 (USD 77,850)	2,512,920 (USD 77,850)	77,850,000	100.00%	3,073,190	181,214	181,214	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi-110016, India	Production and sale of synthetic rubber products	905,265 (USD 28,045)	684,315 (USD 21,200)	151,705,125	34.04%	76,678	(41,597)	(11,658)	-
TSRC (HONG KONG) Limited	TSRC (Lux.) Corporation S.'a.r.l.	34-36 avenue de la Liberte L-1930 Luxembourg	International commerce and investment corporation	1,722,628 (EUR 50,800)	1,722,628 (EUR 50,800)	50,800,000	100.00%	2,624,872	112,945	112,945	Indirectly owned subsidiary
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	2711Centerville Road, Suite 400, Country of New Castle, Wilmington, Delaware.19808.	Investment corporation	2,261,144 (USD 70,050)	2,261,144 (USD 70,050)	100	100.00%	2,579,117	130,240	130,240	Indirectly owned subsidiary
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston,TX 77079	Production and sale of synthetic rubber products	6,217,484 (USD 192,617)	6,217,484 (USD 192,617)	-	100.00%	1,625,309	384,053	384,053	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	1,614 (USD50)	1,614 (USD50)	50,000	100.00%	107,846	4,668	4,668	Indirectly owned subsidiary

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income of investee	Investment income (losses)	Remarks
				Dec. 31, 2016	Dec. 31, 2015	Shares	Percentage of ownership	Book value			
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	154,907 (USD 4,799)	154,907 (USD 4,799)	4,798,566	80.52%	696,188	80,161	64,546	Indire-ctly owned subsi-diary
Hardison International Corporation	TSRC Biotech Ltd.	4th F1., Harbour Centre, P.O.BOX613, George Town, Grand Cayman	Investment corporation	97,483 (USD 3,020)	97,483 (USD 3,020)	3,020,210	100.00%	5	–	–	Indire-ctly owned subsi-diary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd	Cayman Islands	Consulting for electric power facilities management and electrical system design	364,269 (USD 11,285)	364,269 (USD 11,285)	7,522,337	37.78%	448,843	185,687	70,153	–

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD32.279; EUR1 to NTD33.91).

Note 2: TSRC directly owns 19.48% of Dymas's equity and indirectly owns 80.52% via Hardison International Corporation.

(c) Information on investment in Mainland China:

i) Information on investment in Mainland China:

Unit: thousand dollars

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2016	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2016	Net income of investee	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	1,330,540 (USD 41,220)	(2)a.	–	–	–	–	367,891	65.44%	240,748 (Note 2)	1,877,400	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd	Power generation and sale of electricity and steam	745,645 (USD 23,100)	(2)c.	123,693 (USD3,832)	–	–	123,693 (USD3,832)	299,743	28.34%	84,947 (Note 3)	517,241	–
TSRC (Shanghai) Industries Ltd	Production and sale of compounding materials	177,535 (USD 5,500)	(2)b.	126,534 (USD3,920)	–	–	126,534 (USD3,920)	71,597	100.00%	71,597 (Note 2)	309,987	–
Nantong Qix Storage Co., Ltd	Storehouse for chemicals	96,837 (USD 3,000)	(2)d.	48,419 (USD1,500)	–	–	48,419 (USD1,500)	8,825	50.00%	4,412 (Note 2)	66,955	–
TSRC -UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	1,291,160 (USD 40,000)	(2)a.	32,279 (USD1,000)	–	–	32,279 (USD1,000)	(58,446)	55.00%	(32,145) (Note 2)	808,720	–

Name of investee in China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from as of January 1, 2016	Investment flow during current period		Cumulative investment (amount) from Taiwan as of Dec. 31, 2016	Net income of investee	Direct / indirect investment holding percentage	Investment income (loss)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
TSRC (Nantong) Industries Ltd	Production and sale of synthetic rubber products	2,231,286 (USD 69,125)	(2)a.	214,591 (USD6,648)	–	–	214,591 (USD6,648)	648,988	100.00%	648,988 (Note 2)	3,290,030	–
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd. (Note 6)	Production and sale of NBR	1,446,099 (USD 44,800)	(2)a.	–	–	–	–	(66,143)	50.00%	(39,204) (Note 3)	180,559	–

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.
a. Through the establishment of Polybus Corporation Pte. Ltd. then investing in Mainland China.
b. Through the establishment of TSRC (HONG KONG) Limited then investing in Mainland China.
c. Through the establishment o f Asia Pacific Energy Development Co., Ltd. then investing in Mainland China.
d. Through the establishment of Triton International Holdings Corporation then investing in Mainland China.
(3) Through transferring the investment to third-region existing companies then investing in Mainland China.
(4) Other methods: EX: delegated investments.

Note 2: The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The investment income (losses) were recognized under the equity method and based on the financial statements audited by international accounting firms.

Note 4: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD32.279).

Note 5: The investee was disposed of in April 2015. Lanxess-TSRC (Nantong) Chemical Industries Co., Ltd. registered for a name change and has been called Arlanxeo-TSRC (Nantong) Chemical Industrial Co., Ltd. since May 2016.

ii) Limitation on investment in Mainland China:

Unit: thousand dollars

Accumulated investment amount in China as of December 31, 2015	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
545,516(USD16,900)	4,884,942(USD151,335)(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, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau, Ministry of Economic Affairs, on October 14, 2015. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from October 1, 2015 to September 30, 2018.

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 NTD32.279).

iii) Significant transactions with investees in Mainland China:

i. Sales and accounts receivable

Sales to related parties in Mainland China are summarized as follows:

	2016
TSRC (Shanghai) Industries Ltd.	$ 9,322
TSRC (Nantong) Industries Ltd.	120,221
	$ 129,543

The related accounts receivable resulting from the above transactions as of December 31, 2016 as follows:

	Dec. 31, 2016
TSRC (Shanghai) Industries Ltd.	$ 2,910
TSRC (Nantong) Industries Ltd.	27,828
	$ 30,738

There were no significant differences between the pricing of sales transactions with related parties and that with other customers. The payment terms ranged from two to three months, which were similar to those given to other customers.

ii. Service income

		Service income in 2016	Accounts receivable as of December 31, 2016
Nature	Name	2016	Dec. 31, 2016
Management and technology services	Shen Hua Chemical Industrial Co., Ltd.	$ 30,422	5,609
Management and technology services	TSRC (Nantong) Industries Ltd.	83,356	55,728
Management and technology services	TSRC-UBE (Nantong) Chemical Industrial Corporation Limited	6,040	4,500
Management and technology services & trademark rights	TSRC (Shanghai) Industries Ltd.	6,027	4,719
Management and technology services	Arlanxeo-TSRC (Nantong) Chemical Industrial Corporation Limited	10,957	6,398
		$ 136,802	76,954

iii. Guarantees

As of December 31, 2016, guarantees provided by the Company for the bank loans of investees in Mainland China was as follows:

	2016
Arlanxeo-TSRC (Nantong) Chemical Industrial Co., Led.	$ 531,185

(14) Segment information

Please refer to the year 2016 consolidated financial statements.

TSRC Corporation

Chairman: Shao Yu Wang