台橡股份有限公司
TSRC CORPORATION

Annual Report 2017

Stock Code : 2103

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The company's website: http://www.tsrc.com.tw
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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

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Letter to the Shareholders

Letter to the Shareholders

Dear Shareholders

In 2017, TSRC experienced one of the most challenging periods within the past couple of years with unprecedented butadiene price volatility, softened E-SBR/BR demand, and intense pricing pressure. While we delivered a very good first quarter, we took a bad hit financially in the second quarter with a large quantity of high cost inventories. The team worked hard and managed to recover a good part of the financial hit over the third and fourth quarters. Our fundamental business and customer base remained stable. Overall, Synthetic Rubber Division (SRD) business suffered the biggest reduction in operating profit versus prior year while Advanced Materials Division (AMD) did better against the challenges with a smaller operating profit reduction.

In addition to the lower operating profit by the business units, we took an impairment loss of NTD 283 million due to the dissolution of Taiwan Advanced Materials Corporation (TAMC). The decision to dissolve TAMC was not taken lightly. The investment in TAMC was made in 2012 but market conditions changed significantly and the financial returns originally envisaged were no longer attainable. The approval for construction and environment assessment was delayed and no business activities were possible. The Board of Directors made the difficult decision to dissolve TAMC to prevent further and enlarged loss.

Despite the weaker operating profit, we made strong and positive improvements in the financial performance of our joint ventures, Indian Synthetic Rubber Private Limited (ISRPL) and ARLANXEO-TSRC, and achieved non-operating gains from sales of Taiwan High Speed Rail (THSR) shares.

The team made good progress in executing the key initiatives of our five-year growth plan. This included increasing sales of higher margin products (SEBS), gaining approval and beginning supply of Advanced Shoe Materials (ASM) to global brand partner, upgraded our R&D and technology facility in Kaohsiung, successfully converting of Kaohsiung E-SBR and BR production lines to the distributed control system (DCS), and making significant progress in the development of SSBR technology, among many other achievements. These key initiatives are a foundation upon which TSRC can leverage to deliver higher profit growth over the next couple of years.

2017 Business Result

Business Performance

As articulated above, TSRC's operating performance was behind prior year primarily due to poor synthetic rubber performance, TAMC impairment loss, offset by solid improvements at respective joint ventures with Indian Oil Corporation and ARLANXEO, and non-operating gains.

In total, the synthetic rubber and TPE product shipments reached 483 thousand metric tons in 2017, a reduction of 1% versus prior year. Consolidated revenue was NTD 31,766 million, an increase of 18% compared to NTD 26,955 million the previous year. Consolidated gross profit was down by 14% to NTD 3,329 million and margin was 10%, primarily due to rapid and dramatic fluctuation in butadiene price, excess supply of synthetic rubber in China, and continuous pricing pressure caused by market competition. Consolidated operating profit was NTD 1,203 million, a decrease of 32% compared to the previous year. The significant improvement in performance at our joint ventures and gains from the sales of THSR shares, offset the impairment loss of TAMC resulting in a net income of NTD 874 million, a 12% decrease versus prior year, while earnings per share (EPS) fell to NTD 1.06.

R&D Achievements

TSRC is one of the world's leading providers of specialty materials and solutions in synthetic rubber and TPEs with a strong commitment to innovation, growth and excellence. The newly renovated state-of-the-art Technology Center in Kaohsiung, Taiwan enables the integration of advance product development and characterization facilities into the daily operation of TSRC. At the same time, we also started operation at our newly upgraded Semi-Commercial Plant (SCP) in Kaohsiung to accelerate new product and process development.

The key research projects and progress milestones in 2017 included:

· Development of new modifier and microstructure technology platforms to enable next generation products for superior tire performance.

· Development of unique catalyst system and capability to control microstructure of high-cis BR product for use in multiple industries including tires, shoe soles and plastic modification.

· Commercial scale production of green rubber materials to meet the environment-friendly policies and customer demands.

· Technology development in co-polymerization, hydrogenation catalyst, and product finishing platforms to support development of a new generation of HSBC products which provide excellent mechanical properties and touch feel, and can be applied to films, medical and automotive applications.

· Breakthrough in the development of a novel ultrahigh flow SIS product (patent pending) to meet global adhesive and elastic film markets' growth and demands.

· Successful development of high vinyl SEBS with in-house structural modification and new process technologies for weather-durable and high transparency thin films for medical applications. This project received partial financial support from Taiwan's Industrial Development Bureau.

· The Company was granted 8 patents in 2017.

2018 Business Outlook

Most reports hold a cautious optimism regarding global economic growth in 2018 with Europe continuing on a recovery path, stable growth in China (with the Belt and Road Initiative), accelerated growth in India and Southeast Asia, and a stable US economy. However, there are also uncertainties looming on the horizon due to the impact from Brexit, increasing support for economic protectionism, and potential eruptions/disruptions from war, terrorism, and natural disasters.

TSRC will continue to face tough market challenges in 2018 especially in China which is our largest market. Increasing operating cost, environmental compliance cost and risk, and freight & logistic costs coupled with limited pricing power (as a result of overcapacity and increased competition) are expected to add tremendous pressure on TSRC to realize our targeted profitability. Nevertheless, we do not expect, in 2018, to face all of the same negative factors from 2017. We will continue to leverage on the progress we have made on our five-year growth plan initiatives and focus on growing our operating profit and expanding our position in specialty applications and market segments. In addition, we have started the project of constructing a new 20,000 metric tons SEBS line in Nantong, China, scheduled to be operational mid-2019. This new line will incorporate new processes and technologies and enable TSRC to grow and strengthen our market position in TPE via selling into applications which require higher performance and quality materials.

TSRC turns 45 years old in 2018. This is an important milestone for TSRC. We recall the very humble beginnings of TSRC where we didn't have our own technology, had only one (1) plant in Kaohsiung, and had a very limited number of local customers. Today, TSRC possesses multiple polymer technologies and expertise, ten (10) production plants across Asia and North America, and a worldwide presence and global customer base. This is quite an achievement!

This significant transformation has been possible due to two key factors. Firstly, the spirit of continuous improvement and the can-do attitude embodied in the heart of our founder and passed on through the generations of TSRC employees, and second, the people of TSRC. The many dedicated employees at TSRC, past and present, have made sacrifices and overcome many challenges to lead us to where we are today. For this, we are being deeply grateful. We will continue to work smart and deliver a strong result worthy of our 45th anniversary and the unwavering support from our shareholders.

Chairman : Shao Yu Wang

Company profile

Company profile

1. Date of incorporation

July 27, 1973

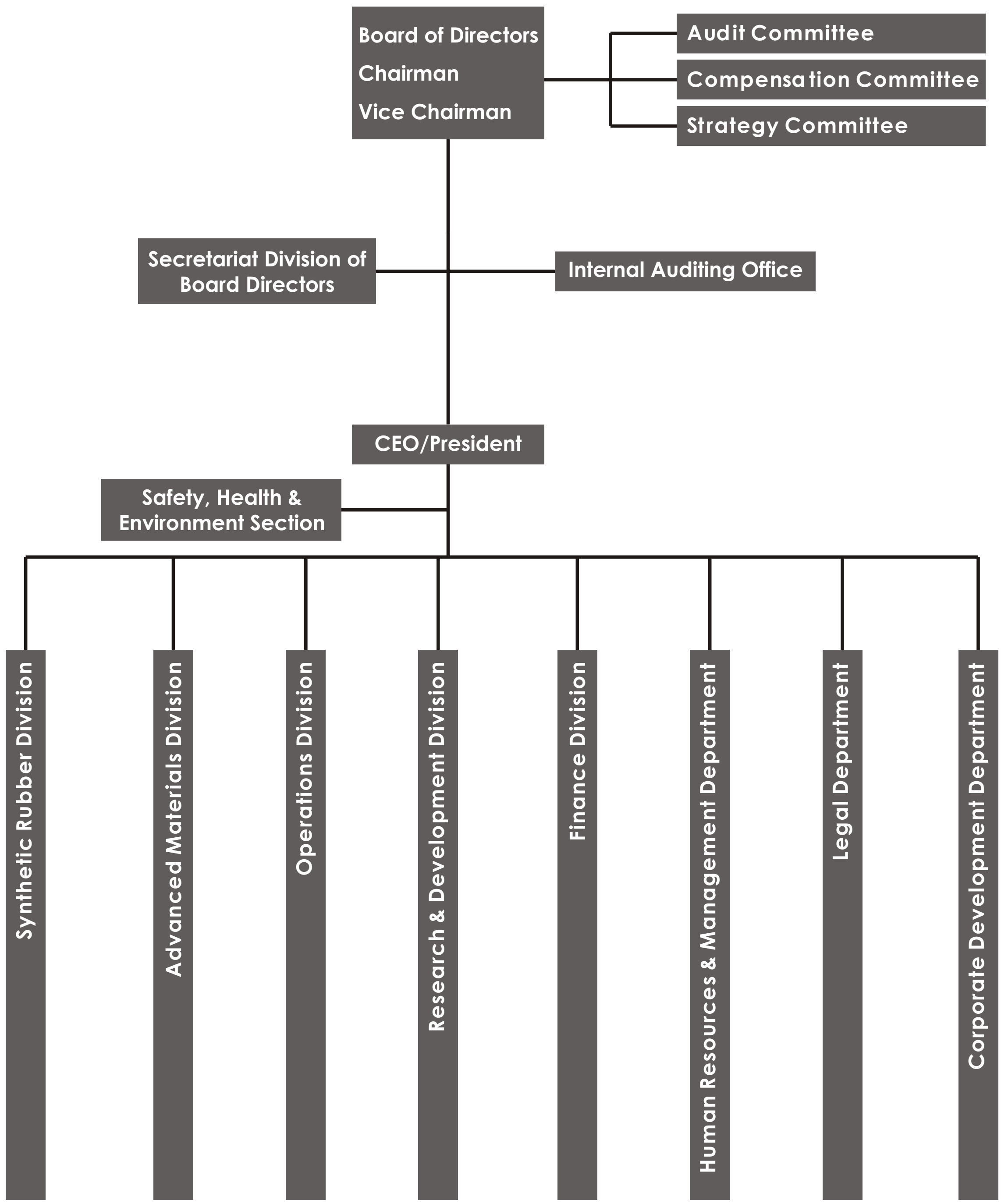
2. Company history

Time	Milestone
1970's Beginning	• Taiwan Synthetic Rubber Corp. (TSRC) was established in 1973. • Established an E-SBR plant with an annual output of 100 thousand tons (the first E-SBR plant in Taiwan).
1980's Early Growing Stage	• Established a BR plant with an annual output of 40 thousand tons. • Relocated the Philipps SBS Plant from Texas, USA to Kaohsiung.
1990's Rapid Regional Expansion	• Established its second SBS production line in Kaohsiung. • Established Shen Hua Chemical Industrial in Nantong, Jiangsu, China and established an E-SBR plant with an annual output of 100 thousand tons. This company is the first joint venture and overseas company of TSRC. • Participated in a joint venture project of BR with an annual output of 50 thousand tons in Thailand. • Successfully developed the first generation of SEBS technology.
2000's Expansion of Production Lines	• Successfully developed the second generation SEBS technology. • Established Compound plants in Songjian, Shanghai and Jinang, Shandong respectively. • Established an SEBS plants with an annual outputs of 20 thousand tons and joint venture-BR plant with an annual output of 50 thousand tons respectively in Nantong, Jiangsu, China.
2010's Globalization	• Signed an SBS technology licensing contract with a Russia company, which was the first technology out-licensing by TSRC. • Established a E-SBR joint venture plant with an annual output of 120 thousand tons in India and an NBR joint venture plant in Nantong, Jiangsu, China. • Acquired Dexco in the U.S. • Established a SIS plant with an annual output of 25 thousand tons in Nantong, Jiangsu, China. • Established a production line for Advanced shoe materials in Gangshan. • Commissioned the technical center and small commercial plant in Kaohsiung City. • Started the construction of the second SEBS production line in Nantong, Jiangsu, China.

Corporate governance report

I. Company's organization

Structure



Tasks of principal divisions/departments/business

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

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

1. Information on directors (1)

Dec. 31, 2017

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		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)	%	Share(s)	%	Share(s)	%			Job title	Name	Relationship
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% -	176,150	-	0	-	Soochow University/ Fudan University PRC	Yung-an Rental Corp., Taiwan Insulation Material Industrial Company.	No	No	No
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% -	0	-	0	-	Economics, University of California, Los Angeles, USA	President of Hao Ran Foundation, Chairmen of Continental Holdings Corp., and Continental Engineering Corp. Director of Continental Development Corp. American Bridge Holding Company	No	No	No
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% -	0	-	0	-	Master of Public Administration National Chengchi University	Senior Advisor of Wei Dah Development Co., Director of Metropolis Property Management & Maintenance Corporation., President Director of Taiwan High Speed Rail	No	No	No
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% -	0	-	0	-	M.Sc., Management Science National Chiao Tung University	Tai Ho Development Investment Limited. Director of Newegg Inc.	No	No	No
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% -	99,853	-	97,725	-	Ph.D. in Chemistry, Michigan State University, USA	Director 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		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)	%	Share(s)	%	Share(s)	%			Job title	Name	Relationship
Director	Republic of China	John T. Yu	Male	2015.06.10	3	2015.06.10	0	-	0	-	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
Independent Director	Republic of China	Robert Hung	Male	2015.06.10	3	2012.06.06	0	-	0	-	0	-	0	-	Master of Economics, Ilinois State University, USA	Independent Director of Wistron Ne-Web Corp.	No	No	No
Independent Director	Republic of China	Henry Lin	Male	2015.06.10	3	2015.06.10	0	-	0	-	0	-	0	-	Master's Degree from the College of Management, National Taiwan University National Chung Hsing University Bachelor of Accounting	Independent Director of AVer Information Inc	No	No	No
Independent Director	Republic of China	Henry Feng	Male	2016.06.24	3	2016.06.24	0	-	0	-	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	No	No	No

Major shareholders of institutional shareholders

Dec. 31, 2017

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, 2017

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

Information on directors (2)

Dec. 31, 2017

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

Dec. 31, 2017

Job title	Nationality	Name	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age		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)	%	Share(s)	%	Share(s)	%			Job title	Name	Relationship
President	Singapore	Joseph Chai	2015.11.01	0	–	0	–	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., 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
Sr. Vice President Advanced Materials Division	Canada	Wing-Keung Hendrick Lam	2004.07.16	0	–	0	–	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
Vice President Operations Division	Republic of China	R. L. Chiu	2016.06.01	2,046	–	0	–	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	Date of appointment	Shares held		Shares currently held by their spouses and children of minor age		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)	%	Share(s)	%	Share(s)	%			Job title	Name	Relationship
Vice President Finance Division	Republic of China	Edward Wang	2016.06.01	0	–	0	–	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 company Ltd. 、TSRC (Shanghai) Industrial Ltd.、Arlanxeo-TSRC (Nantong) Chemical Industrial Co.,Ltd.	No	No	No
Vice President Research & Development Division	United States of America	Qiwei Lu	2016.04.01	0	–	0	–	0	–	Global Strategic Technology Officer, Lubrizol / Doctor in Material Science and Engineering, University of Minnesota	No	No	No	No
Vice President Synthetic Rubber Division	Republic of China	Kevin Liu	2016.06.01	0	–	0	–	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
Vice President Human Resources & Management Department	Republic of China	Alison Tung	2017.09.01	0	–	0	–	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

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

1. Directors' remuneration

Unit: NTD in thousands

Job title	Name	Directors remuneration: Base compensation (A): The company	Base compensation (A): Companies in Financial Report	Severance pay and pensions (B): The company	Severance pay and pensions (B): Companies in Financial Report	Remuneration to directors(C): The company	Remuneration to directors(C): Companies in Financial Report	Business execution expenses(D): The company	Business execution expenses(D): Companies in Financial Report	Percentage of the total of A, B, C and D accounting for income after tax: The company	Percentage of the total of A, B, C and D accounting for income after tax: Companies in Financial Report	Relevant remuneration received by directors who are also employees: Salary, bonus and special allowance(E): The company	Salary, bonus and special allowance(E): Companies in Financial Report	Severance pay and pensions (F): The company	Severance pay and pensions (F): Companies in Financial Report	Employees' earnings (G): The company: Cash	Employees' earnings (G): The company: Stock	Employees' earnings (G): Companies in Financial Report: Cash	Employees' earnings (G): Companies in Financial Report: Stock	Percentage of total of A, B, C, D, E, F and G accounting for income after tax: The company	Percentage of total of A, B, C, D, E, F and G accounting for income after tax: Companies in Financial Report	Compensation paid to directors from non-consolidated affiliates
Chairman	Wei Dah Development Co., Ltd. Statutory Representative: Shao Yu Wang	Total 19,000	Total 19,000	Total 0	Total 0	Total 9,558	Total 9,558	Total 1,450	Total 1,450	3.43%	3.43%	0	0	0	0	0	0	0	0	3.43%	3.43%	No
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. Statutory																					
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 vehicleis NT$ 791 thousand and the remuneration paid to the driver is NT$ 900 thousand.

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 Tzu Wei Lee Chin-Shan Chiang D. Otto Cheng	Please refer to the left column.	Nita Ing Tzu Wei Lee Chin-Shan Chiang 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)	Henry Lin Robert Hung Henry Feng John T. Yu Metacity Development Corporation Wei Dah Development Co., Ltd.	Please refer to the left column.	Henry Lin Robert Hung Henry Feng John T. Yu Metacity Development Corporation 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	9	Please refer to the left column.	9	Please refer to the left column.

2. Presidents' and vice presidents' remuneration

Unit: NTD in thousands

Job title	Name	Salary(A)		Severance pay and pensions (B)		Bonus and special allowance(C)		Employees' compensation amount (D)				Percentage of the total of A, B, C and D accounting for income after tax (%)		Compensation paid to directors from non-consolidated affiliates
		The company	Companies in Financial Report	The company	Companies in Financial Report	The company	Companies in Financial Report	The company		Companies in Financial Report		The company		
								Cash Amount	Stock Amount	Cash Amount	Stock Amount			
President	Joseph Chai	Total 35,145	Total 35,145	0	0	Total 20,979	Total 20,979	Total 3,760	0	Total 3,760	0	6.85%		
Sr. Vice President	Wing-Keung Hendrick Lam													
Vice President	R. L. Chiu													
Vice President	Tsu-Ti Liu													
Vice President	Qiwei Lu													
Vice President	Edward Wang													
Vice President	Alison Tung													

Note: 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$ 576 thousand and rental housing costs NT$ 2,640 thousand .

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, Alison Tung 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)	Edward Wang, 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, 2017

	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 3,959	Total 3,959	0.45%
	Vice President (Financial Supervisor)	Edward Wang				
	Vice President	Alison Tung				
	Vice President	R. L. Chiu				
	Vice President	Tsu-Ti Liu				
	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.

1.Remuneration paid in the most recent two years

Unit: NTD in thousands

Job title	The company		Companies in Financial Report	
	106	105	106	105
Director remuneration	30,008	30,549	30,008	30,549
Director remuneration percentage of net income after taxes	3.43%	3.09%	3.43%	3.09%
President and vice president	59,884	54,393	59,884	54,393
President and vice president remuneration percentage of net income after taxes	6.85%	5.50%	6.85%	5.50%

2. 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 alary 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 5 meetings in 2017. 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	5	0	100%	
Vice Chairman	Wei Dah Development Co., Ltd. Statutory Representative: Nita Ing	4	1	80%	
Director	Wei Dah Development Co., Ltd. Statutory Representative: Chin-Shan Chiang	5	0	100%	
Director	Wei Dah Development Co., Ltd. Statutory Representative: Tzu Wei Lee	5	0	100%	
Director	Metacity Development Corporation Representative: D. Otto Cheng	5	0	100%	
Director	John T. Yu	5	0	100%	
Independent Director	Robert Hung	5	0	100%	
Independent Director	Henry Lin	5	0	100%	
Independent Director	Henry Feng	5	0	100%	

Other matters to be noted:

1. Matters provided in Article 14-3 of the Securities and Exchange Act: Matters provided in Article 14-3 of the Securities and Exchange Act are submitted to the Board of Directors of TSRC for approval by resolution. Independent directors do not have dissenting opinions or qualified opinions on the aforementioned matters.
2. Matters approved by the Board of Directors by resolution that independent directors have dissenting opinions or qualified opinions with records or written statement: None.
3. Status of recusal by Directors in issues with conflict of interest: The recusal by Directors in issues with conflict of interest is implemented in accordance with Article 19 of "Rules for the Conduct of Directors' Meeting." In 2017, there were no issues of conflict of interest submitted to the Directors' Meeting.
4. The goal of enhancing the functions of the Board of Directors of the current year and the most recent year and the evaluation on the implementation: To enhance the functions and perfect the supervising function of the Board of Directors of TSRC; TSRC establishes the Audit Committee, Remuneration Committee, and Strategy Committee under the Board of Directors in accordance with Article 24 of the "Articles of Incorporation" of TSRC. Each committee assists the Board to enhance the management and supervising function based on its duties.

(2) Operation of the Audit Committee

The Audit Committee held 6 meetings in 2017. 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	6	0	100%	

Other matters to be noted:

1. Matters provided in Article 14-5 of the Securities and Exchange Act: The operation of the Audit Committee of TSRC is conducted in accordance with Article 14-5 of the Securities and Exchange Act. Matters that shall be reviewed by the Audit Committee are reviewed by the Audit Committee and are subject to the consent of one-half or more of all audit committee members and are submitted to the board of directors for a resolution.
2. Matters that are not passed by the Audit Committee and are approved by 2/3 of all directors by resolution: None.
3. Recusal of independent directors in issues of conflict of interests: There were no issues of conflict of interests in 2017.
4. Communication among independent directors, internal audit officer and public accountants：
   1. TSRC currently has 3 independent directors, and all of them are members of the Audit Committee. The internal audit officer provides audit reports to independent directors via e-mail on a regular basis and attends the meetings of the Audit Committee to report the audit status. Meanwhile, the internal audit officer also keeps track of improvements and provides results of improvements based on the opinions of the Audit Committee.
   2. The certified public accountants attend the meetings of the Audit Committee during the quarterly and annual financial reports and provide suggestions on corporate governance and illustration of updated laws and regulations. In addition, members of the Audit Committee also inquire with public accountants with professional opinions on financial and accounting issues through the Financial Officer.

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

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1.Has the company abided by the "Corporate Governance Best Practice Principles for TWSE/GTSM Listed Companies" to formulate and disclose the corporate governance best practice principles?		v	Despite TSRC not stipulating and disclosing Corporate Governance Best-Practice Principles in accordance with the "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies," TSRC still implements related provisions and contents of the Principles into the regulations of TSRC and continues to promote corporate governance.	After taking practice into consideration, TSRC has implemented the provisions of the Principles into the regulations of TSRC. The Corporate Governance Best-Practice Principles would be stipulated based on demand.
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.	After taking practice into consideration, TSRC has established a related division to handle matters of shareholders. The internal operation procedures would be stipulated based on demand.
(2)Does the company hold a list of the company's key shareholders and their ultimate controllers?	v		(2)Disclose the list of main shareholders in the company and their ultimate controllers in accordance with the law.	No difference
(3)Has the company established and implemented risk control and firewall mechanism with its affiliated companies?	v		(3)There is a clear distinction and proper firewall mechanism established for the management goal and responsibilities of personnel, assets and finance between the Company and affiliates. In addition, the audit unit implements measures for internal audits and internal control to ensure the risk control, management and law compliance.	No difference
(4)Has the company stipulated internal 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.	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.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)After taking the diversity and the industry category and operation status of TSRC into consideration, the Board of Directors consists of 9 directors, in which 3 members are independent directors, in accordance with "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies."	No difference
(2)Besides creating the Remuneration Committee and the Audit Committees according to the law, has the company voluntarily established other functional committees?	v		(2)Apart from establishing functional committees, such as the Remuneration Committee and Audit Committee in accordance with "Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies," TSRC also establishes a Strategy Committee based on the operational demand.	No difference
(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 TSRC not stipulating Rules and Procedures for Board of Directors Performance Assessments, the Board of Directors has several functional committees. The participation of directors in functional committees and the performance of director duties are provided in the regulations for the duties of functional committees. Functional committees and directors perform based on their duties, and the minutes of the directors' meeting records the review opinions of functional committees.	After taking the fact that the operation of the Board of Directors has implemented the spirit of corporate governance best practice principles into consideration, the Rules and Procedures for Board of Directors Performance Assessments would be stipulated based on demand.
(4)Does the company evaluate accountant independence on a regular basis?	v		(4)Before the end of each fiscal year, the responsible unit of the Company will prepare the evaluation and selection report for the entrusted certified public accountant (CPA) of the next fiscal year and report to the Board of Directors before appointment to ensure the independence of the CPA.	No difference
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

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
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)In order to enhance the information transparency and services to investors, including adding financial information via properly utilizing public information systems and the official website of TSRC and implementing speaker systems, TSRC holds investor conferences annually and live streams important message to shareholders.	No difference
8.Is there any other important information that will facilitate the understanding of the company's corporate governance operations (including but not limited to employee rights, employee care, investor relations, sup plier relations, stakeholders' rights, further education of directors and supervisors, implementation of risk management policy and risk evaluation standards, client policy implementation, company's liability insurance for its directors and supervisors and so on)?	v		*The Company 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–TSRC has improved and uploaded materials of the Shareholders' Meeting in English since 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 2017. 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	Henry Lin	4	0	100%	
Members	Robert Hung	4	0	100%	
Members	Henry Feng	4	0	100%	

Other matters to be noted:

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

(5) Fulfillment of social responsibility

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1. Implementation of Corporate governance (1) Has the company stipulated CSR policies or systems and reviewed the performance?	Yes		1. Mission and vision of corporation: By adhering to the principles of cherishing resources on Earth, fulfilling corporate social responsibility and sustainability, we are dedicated to developing eco-friendly and energy-saving materials and creating excellent operational performance, which helps the corporation to march forward at a steady pace on the path of development and bring more benefits and values to stakeholders and the public. 2. Mission statement: To become a critical cooperation partner of customers in the long term, strive to fulfill corporate social responsibility, and become an excellent corporation dedicated to innovation, growth and excellence. 3. Vision statement: To become a growth and profit-oriented global special material corporation and to provide the best solutions, value and return on investment to our shareholders, customers and employees. 4. Corporate Social Responsibility system: Stipulate the communication and solid issue selection procedure of corporate social responsibility (CSR), and promote CSR business through the CSR Promotion Committee and periodically convening Steering Committee meetings to review the CSR promotion and strategy.	No difference
(2)Does the company regularly organize CSR education and training?	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 collects results and opinions annually and submits the report to the CSR Directing Committee. The CSR report is also submitted to the Chairman for approval before being published and submitted to the Board of Directors for reference.	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, TSRC introduces the principle of "maximizing the utilization of energy and resources." TSRC tries to minimize the consumption of energy and resources required in production by improving the design of the production process and efficiency, and recycling raw materials, as well as to continue to develop and produce new green products. For the use of fuels for furnaces, TSRC also uses low-carbon fuels (natural gas) to replace fuel oils in order 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)For the plans to reduce greenhouse gases, TSRC supports the national goal of reducing greenhouse gases to cope with the related policy of the competent authority. TSRC has passed the ISO 14064-1 inspection (greenhouse gas inspection) since 2011, and, as of 2017, completed the registration on the "National Greenhouse Gas Platform." Besides, TSRC belongs to the first batch of industries to declare greenhouse gas emission proclaimed by the Environmental Protection Agency (EPA), and TSRC completed the 2016 organizational greenhouse gas inspection in August, 2017. (3)EPA proclaimed the "Regulations for Periodic Regulatory Goals and Approaches of the Greenhouse Gas Emissions" on March 28, 2017. The first stage of the regulatory goal is between 2016 and 2020. In the first stage of the regulatory goal, the EPA allocates different emission reduction quotas to different ministries and agencies under the Executive Yuan (this plant is planned to be under the Industrial Development Bureau, Ministry of Economic Affairs), and the actual emission reduction quota has not been officially proclaimed. This plant will initiate the related emission reduction measures in advance to comply with the regulatory requirements. (4)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)To continue to implement energy-saving and carbon reduction measures, TSRC established the ISO 50001 energy management system in 2013 and has completed external inspections on the energy management system. Through the management system, TSRC increases energy consumption efficiency, lowers operational costs and reduces greenhouse gas emissions as well as spots energy consuming equipment for improvement. In the future, this system may assist TSRC in analyzing energy usage and consumption status in order to seek improvements.	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		TSRC interacts with employees via different communication channels based on different functions and business demands, such as collective agreement (agreements renewed every three years), labor-management meeting (once every quarter, in principle), communication meetings with union cadres (based on demands), corporate strategy development meeting (annually), seminars held by the General Manager (based on demand), employee benefit committee (quarterly), responsibility caring committee (quarterly), occupational safety and health committee (quarterly), communication meeting for employee unit safety (quarterly), labor pension supervising committee (quarterly), joint operation agreement organization (based on demand), health promotion seminar (based on demand), employee discussion section on the internal portal website, etc.	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, TSRC has also established the "Corporate Social Responsibility Section" and "Stakeholders Section" on the official website of TSRC to communicate and provide feedback to all stakeholders.	No difference
(7) Has the company abided by relevant regulations and international standards concerning the marketing and labeling of products and services?	Yes		TSRC provides Security Data Sheet (SDS) for all products to customers to ensure users are fully aware of the terms of use and disposal methods for waste. For international laws and regulations and customers' demand, TSRC establishes a process management system for hazardous and non-hazardous materials and provides compliance statements for all products.	No difference
(8) Before the company decides to collaborate with a supplier, does it assess the supplier's past record to determine if it has had any influence on the environment and the society?	Yes		Apart from conducting procedural evaluations on the quality of raw materials provided by suppliers, TSRC also conducts QC 080000 (process management system for hazardous materials) on the raw materials and packing materials produced by suppliers. For the development of raw materials by new suppliers, the developer shall sign the HSF or provide a self-statement to ensure the safety of products in advance before proceeding to trial production plans. After the trial production process is in compliance with requirements, TSRC shall complete vendor safety capacity evaluations, investigations on CSR assessment, and vendors shall complete signing the code of conduct for suppliers of TSRC before being listed in the qualified suppliers list.	No difference
(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

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. Enhancing the disclosure of information (1) Does the company disclose relevant and reliable CSR related information on its website and on the MOPS?	Yes		The “Special Zone for Corporate Social Responsibility” has been established on the Company's official website for public disclosure of information about CSR Report.	No difference
5. 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 CSR Directing Committee of TSRC continues to promote CSR business, and the promotion is conducted in accordance with “Corporate Social Responsibility Best Practice Principles for TWSE/TPEx Companies.”				
6. Other important in formation that is helpful to understand the operation of CSR : (1) External consultants establishing the CSR mechanism. (2) Continued Solution Styrene Butadiene Rubber (SSBR) is used in tire manufacturing. It can reduce oil consumption and waste gas emission by cars, reducing the impact on the environment. (3) Participating in the Taiwan Responsible Care Association and Chemical Awareness and Emergency Response Association, Taiwan, fulfilling member obligations and ensuring the safety and health of the community/society. (4) The Manufacturing Process Safety Management Guidelines, Product Management Guidelines, Contractor Safety Management Guidelines, Distribution Management Guidelines, Waste Management and Reduction Management Guidelines and Emergency Reaction Management Guidelines are established based on the safety standards of Taiwan Responsible Caring Association. The established sub-committees of “Manufacturing Process Safety”, “Product Regulations and Rules”, “Contractor Safety”, “Distribution Safety”, “Energy Saving and Reduction”, “Emergency Reaction” and “Legislation and Discipline” continued to operate. Plant “Safety, Health, Environmental Protection and Green” policies are implemented with a reinforced “Technology, Equipment, Staff and Community” policy. (5) Environmental accounting 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.				
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.				

(6) Fulfillment of Ethical Corporate Management

Assessment Items	Status			Any departure of such implementation from the Corporate Governance Best-Practice Principles for TWSE/TPEx Listed Companies
	Yes	No	Abstract Description	
1. Define the program for operation in good faith (1) Has the company defined its ethical manageme-nt policy and approach in its company charter and external documents, as well as the commit-ment of the board of directors and executives in actively implementing such management policy? (2) Has the company stipulated plans against une-thical conducts and clearly defined the SOP, good practice guide, punitive measures, compl-aint system and ensure their proper implementa-tion? (3) Has the company taken precautionary measures against unethical conducts and business activities stipulated by Article 7.2 of the "Ethical Corporate Management Best Practice Principles for TWSE/ GTSM Listed Companies"	v v v		1. All of the Company's directors and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhile, the Company also highlighted its determination to fulfill the operation in good faith in its enterprise cultural declarations about enterprise mission, enterprise view and core competency, and expressly defined the discip-linary procedure for violations in said codes in accordance with the Company's "Rewar d & Punishment Policy" . 2. Aforementioned regulations are the responsib-ilities of the company's board of directors secr-etariat 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 com-plaint channel and ensured of its proper implem-entation? (4) Has the company created an effective accoun-ting system, internal control system in implemen-ting ethical management, and conducted regu-lar 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 Evalua-tion 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 and employees complied with the "Ethical Code" and "Code of Professional Conduct" promulgated by the Company when performing their duty. Meanwhi-le, the Company also highlighted its determinati-on to fulfill the operation in good faith in its enter-prise cultural declarations about enterprise missi-on, 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 : (e.g. TSRC reviews and amends its Ethical Corporate Best Practice Principles) None.				

(7) Stipulation of Corporate Governance Best Practice Principles and related regulations

The Company has currently adopted the "Code of Ethical Conduct," "Articles of Incorporation," "Rules for Procedure for 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 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	OCt. 27, 2017	Taiwan Corporate Governance Association	Legal risks, responsibilities and duties of directors and managements of TSRC	6
Chief Accountant	Ming-Huang Chen	Sep. 14, 2017	Accounting R&D Foundation	Continuing education class for issuers, securities firms, and accounting officer of stock exchange	12

2. Procedures for handling material inside information

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

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

1. A statement of Internal Control

TSRC Corporation

A statement of Internal Control

Date: January 29, 2018

In accordance with the result of self-evaluation of the internal control system in 2017, 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, 2017 (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 January 29, 2018 with presence of 9 directors at unanimous consent.

TSRC Corporation
Chairman: Shao Yu Wang
President: Joseph Chai

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

(10) Any sanctions imposed in accordance with the law upon the Company or its internal personnel, any sanctions imposed by the Company upon its internal personnel for violations of internal control system provisions, principal deficiencies, and the state of any efforts to make improvements in 2017 and until the annual report being published: No

(11) The important resolutions made by shareholders' regular meetings and board of directors' meetings in 2017 and until the annual report being published.

1. The important resolutions made by shareholders' regular meetings in 2017	The status of implementation
(1) Recognition of the Company's business report and financial statements for 2016;	Resolved
(2) Recognition of the allocation of earnings for 2016;	With an ex-right record date of August 5, 2017 as determined by the Board of Directors, the cash dividend of NT$1.00 per share was paid on August 25, 2017.
(3) Passed "Procedure for the Acquisition or Disposal of Assets"	Implement related processing procedures in accordance with the regulations approved by the Shareholders' Meeting by resolution.

2. Important resolutions made by board of directors' meetings:	
Date	Important resolutions
May 4, 2017	Approved the announcement of dissolution and liquidation case of Taiwan Advanced Materials Corporation, a re-investment company of TSRC, by the resolution of the Board of Directors of TSRC.
Jul. 12, 2017	Approved the ex-dividend date of distribution of shareholders' equity by the resolution of the Board of Directors.
Aug. 3, 2017	Approved the investment in the construction of new SEBS production line of TSRC (Nantong) Industrial Ltd., a subsidiary of TSRC.
Mar. 15, 2018	Approved the shareholders' regular meeting for 2017 should be called.
	Approved the allocation of earnings for 2017 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 2017 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 2017 and until the annual report being published: None

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	0	0	190	190	Jan. 1, 2017 to Dec. 31, 2017	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	2017		February 28, 2018	
		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.	–		–	–
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	Alison Tung	–	–	–	–
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 5, 2017

Name	Share(s) held personally		Shares currently held by their spouses and children of minor age		Shares held in another person's name		Names and relationship of any of the top ten shareholders and their spouses or relatives of 2nd degree of relationship who are related defined in the Statement		Remarks
	Share(s)	%	Share(s)	%	Share(s)	%	Name/name	Relationship	
Panama Banco industrial company	69,524,417	8.4%	0	–	0	–	NO	NO	
Hao Ran Foundation Chairman: Nita Ing	60,171,319	7.3%	0	–	0	–	NO	NO	
Wei Dah Development Co., Ltd. Chairman: Huang Jing-Lung	53,708,923	6.5%	0	–	0	–	Metacity Development Corporation	Chairman of the same person	
CITI bank Taiwan branch in custody for Government of Singapore Investment Fund	43,716,332	5.3%	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	
Cathay life insurance Co. Ltd. Chairman: Tiao-Kuei Huang	31,326,675	3.8%	0	–	0	–	NO	NO	
Metacity Development Corporation Chairman: Huang Jing-Lung	31,093,108	3.8%	0	–	0	–	Wei Dah Development Co., Ltd.	Chairman of the same person	
Nan Shan Life Insurance Company, Ltd Chairman： Y. T. Du	18,087,610	2.2%	0	–	0	–	NO	NO	
Public Service Pension Fund Supervisory Board.	17,846,920	2.2%	0	–	0	–	NO	NO	

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

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

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

Information on capital raising activities

Information on capital raising activities

I. Capital and shares

(1) Source of capital stock

March 20, 2018

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 cor-porate 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, 2018

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 5, 2017

Shareholder's Structure / Quantity	Government Agencies	Financial Institutions	Other juridical persons	Individual	Foreign Institutions & Natural Persons	Total
Number of persons	4	21	170	75,378	269	75,842
Share(s)	395,031	92,767,980	191,189,626	261,303,108	280,054,233	825,709,978
Stake(%)	0.05	11.23	23.15	31.65	33.92	100.00

(3) Diffusion of ownership

Par value NTD10/ August 5, 2017

Range of shares held	Number of shareholders	Shares held	Stake (%)
1-999	37,791	7,743,229	0.94
1,000-5,000	26,592	58,256,939	7.05
5,001-10,000	5,932	42,243,253	5.11
10,001-15,000	2,205	26,893,809	3.26
15,001-20,000	1,003	17,668,384	2.14
20,001-30,000	992	24,255,342	2.94
30,001-50,000	647	25,242,050	3.06
50,001-100,000	402	27,872,738	3.38
100,001-200,000	140	18,631,501	2.26
200,001-400,000	53	14,143,005	1.71
400,001-600,000	24	11,509,447	1.39
600,001-800,000	18	12,219,813	1.48
800,001-1,000,000	5	4,475,266	0.54
1,000,001 above	38	534,555,202	64.74
Total	75,842	825,709,978	100.00

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

(4) Major shareholders

August 5, 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	43,716,332	5.3%
Tamerton Group Limited	34,578,143	4.2%
Fubon Life Insurance Co. Ltd.	31,426,050	3.8%
Cathay Life Insurance Co. Ltd.	31,326,675	3.8%
Metacity Development Corporation.	31,093,108	3.8%
Nan Shan Life Insurance Company, Ltd	18,087,610	2.2%
Public Service Pension Fund Supervisory Board.	17,846,920	2.2%

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

Unit: NTD

Item			2017	2016	As of Feb. 28, 2018
Market price per share	Maximum		39.50	35.30	37.95
	Minimum		30.65	18.40	30.50
	Average		34.62	28.32	34.23
Net worth per share	Before distribution		18.02	18.58	–
	After distribution		(Note 1)	17.58	–
Earnings per share	Weighted average share(s)		825,709,978	825,709,978	825,709,978
	EPS	Before adjustment	1.06	1.20	–
		After adjustment	(Note 1)	1.20	–
Dividends per share	Cash dividend (Note 1)		0.96	1.00	–
	Dividends (Note 1)	Dividend distributed from earnings	0	0	–
		Dividend distributed from additional paid-in capital	–	–	–
	Cumulative outstanding dividends (Note 2)		–	–	–
Cash dividend yield (note 5)	Price-earnings (P/E) ratio (Note 3)		32.66	23.60	–
	Price-dividend (P/D) ratio (Note 4)		36.06	28.32	–
	Cash dividend yield (note 5)		2.77%	3.53%	–

Note 1: The dividends for 2017 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$ 0.96 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 2017, 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) $49,732 thousand distributed as employees' compensation and $9,558 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$35,219 thousand and director remuneration of NT$11,180 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- 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 focuses on-developing, manufacturing and selling various synthetic materials, including:
(1)Synthetic rubber and elastomers: E-SBR, S-SBR, BR and TPE
(2)Applied Materials: Material Mixtures

2. Product Portfolio

Unit: NTD in thousands

Items	Revenue in 2017	Percentage of Total Turnover
Synthetic rubber and elastomers	30,913,807	97.32
Applied materials	831,794	2.62
Other	20,636	0.06
Total	31,766,237	100.00

3. New Developments

Item
(1) Continue to develop high-performance and eco-friendly and energy saving S-SBR rubber products and establish collaborative partnerships with customers to jointly develop new specifications.
(2) Develop differentiated SBC products based on applications, including high-end medical materials, advanced shoe materials, printing films, and lubricant viscosity modifiers.
(3) Develop BR products with a unique catalyst system meeting the demands of applications/customers from different industries, such as tires, shoe soles, and plastics modification.
(4) Continue to develop green rubber products that comply with the policy of environment-friendly .
(5) Establish optimized process technology to provide customers with the highest product quality.

(2) Industry Overview:

1. Global Economic Environment

Global economy in 2018 is expected to continue the recovery trend of 2017. with differences among countries and regions. In Asia and India, the economic growth momentum remains as last year. The economic prospective in the United States continues to be positive. The economic growths in the Euro zone, Japan and China are expected to slow down slightly, which will-have-impact to other economies including Taiwan. According to the latest forecast published by the Taiwan Institute of Economic Research in November, 2017, Taiwan GDP in 2018 will be 2.3%, a decrease of 0.2% from 2017. At the same time, there are uncertainties looming in 2018 which might lead to volatility of international economics.

The price of crude oil hit its recent low point in 2016. Apart from the political instability in the Middle East, the agreement among OPEC and Non-OPEC counterparties, such as Russia, to reduce oil production was extended from March 2018 to the end of December, 2018. Combined with weaker USD, the price of crude oil has been trending up since 2017.

In 2017, the domestic market in the United States provided major momentum for its economic growth, driven by the increase of energy industry investment and President Trump's stimulating policies such as, tax reform lowering corporate tax rate, and promoting return of manufacturing back to the United States. However, President Trump has already signed a presidential memorandum determine the investigation if the laws, trade norms and actions-of-China cause harm to US in Section 301, may be utilized as a result of investigation, which increase the tension in the US-China trade relationship and risk of trade disputes escalation.

As for the Euro zone, International Monetary Fund(IMF) and Economists Intelligence Unit (EIU) are less optimistic about 2018, compared to 2017, and projecting, Euro zone economic growth rate between 1.9%~2.0% in 2018, with Brexit as the major variable factor. The UK and EU have entered a two-year negotiation of Brexit and significant impact to Euro Zone economics is expected, regardless the negotiation process or contents. If UK obtains a beneficial position through Brexit, it will unfortunately offer the basis of discourse for other that seek to exit from the EU in other countries, leading to turmoil in the Euro zone; on the other hand, if UK is unable to obtain a good deal for Brexit, its economics will be impacted severely and consequently negatively affecting the rest of the Euro zone countries.

In IMF's 2018 economic growth projection, China's growth rate is revised down to 6.5%, and up to 7.4% for India. In addition, the Chinese government is shifting the emphasis of its economic development toward the transformation of quality over the increase of quantity: focusing more on environmental protection issue, depending the "supply side" structural reform, and continuing to stress on the development of the Belt and Road Initiative. The series of economic reform conducted by China will impact to the economics of other Asian countries to various extents. Lastly, some non-economic developments, including geo political tension, extreme climate, terrorism, and security issues, leads to uncertainties to the global economic growth.

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

Upstream raw materials of the petrochemical industry (crude, natural gas) → Midstream raw materials of the petrochemical industry (ethylene, propylene, butadiene, styrene) → Synthetic rubber TPE → Downstream customers (tires, adhesives, plastic modification, shoe materials)

The upstream raw materials of the industry are crude and natural gas. The midstream raw materials refer to the raw materials produced by cracking " petrochemical primary raw materials" e.g. naphtha, followed by reactions such as polymerization, oxidation, and synthetization. The downstream of petrochemical industry processes midstream raw materials to produce plastics, chemical fibers, rubbers, and other chemical products such as tire, adhesives, plastic modifiers, and shoes materials.

3. Industry Status and outlook:

In 2017, 28.88 million cars were sold in China, representing a 3.0% annual growth, which is slower than previous year due to the halved vehicle purchasing tax incentive and higher 2016 base. Among them, 24.72 million were private vehicles with a 1.4% annual growth rate and 4.16 million were commercial vehicles with a strong 14.0% annual growth rate, benefiting from the tightened new emission standard. In the Japanese market,4.39 million of cars were sold in 2017 with a 5.8% annual growth rate. Overall, 2017 car market was growing at slower rate. The skyrocketing price of butadiene (> $3,000 USD per ton) in the beginning of 2017 drove the replacement of synthetic rubber with natural rubber, which led to the slight decline of synthetic rubber demand in 2017 versus 2016. Butadiene price subsequently fell to USD1,500 per ton in Q2 2017. The drastic price volatility led to the profit erosion of synthetic rubber business due to inventory provisioning, despite the proactive work with customers.

The global economy had a strong recovery in 2017, as did the economies in the United States, Europe, and emerging markets in Asia. The global market demand for TPE products was strong with the annual growth rate reaching 4.2%, and even higher of that in emerging markets in Asia. However, the price volatility of raw materials in the upstream in the first half of 2017 erodes full year profit performance. In addition, SBS and SIS markets remained in over supply situation which led to the intense price competition. Facing the severe market and competition environment, TSRC continues its focus on products differentiation and further enhances the cooperation with targeted customers in new technology and new products development in order to establish a long-term business partner relationship and sustain its competitive advantage in the market space.

Applied materials offers material mixtures with various properties by compounding TSRC TPE products with other plastic materials. The mixtures are formulated by TSRC and delivered to downstream molding factories for plastic modification. These materials are widely utilized in end-markets such as footwears, automobiles, hand tools, consumer electronics, and medical products via manufacturing processes such as injection molding, rolling, and film stretching. As the environment protection awareness has been elevated in recent years, the inherent properties of TSRC applied materials, such as non-toxic, low pollution risk, recyclable, possessing both the manufacturing processabillity of plastics and the elasticity of rubbers, enable the applied materials to gradually replace PVC and traditional rubber products. The applied materials development also expands the scope of TPE applications and adoptions in downstream industries.

Looking into 2018, the International Monetary Fund (IMF) estimates global GDP growth rate to be 3.9%. China Association of Automobile Manufacturers estimates that the growth rate of automobile sales in China to remain at 3%, and LMC Automotive estimates the automobile sales in Asia excluding China to grow at 4.8%. As a result the demands for tires and synthetic rubbers are expected to grow at a stable rate. In addition, anti-dumping duties imposed by the US and India toward the Korean synthetic rubber companies broaden new opportunities for TSRC synthetic rubber business division.

(3) Overview of technology and R&D

1. R&D expenses

Unit: NTD in thousands

Fiscal year	2017
R&D expenses	375,550

2. Successfully developed technology or products

Item	Result
Patents	Awarded 8 patents
Development of S-SBR products	Complete the establishment of a new technology platform and development of products of the new generation
Development of high-value HSBC products	Completed the product for medical and high flow film applications.
Development of applied materials for shoes	Complete new materials and formula for customized show materials and be recognized by international large companies.
Development of green rubber materials	Commercialized mass production of BR and E-SBR products to comply with eco-friendly policy and customer demand.
Development of leading processing technology	Complete the establishment of small commercialized factories to provide customers with samples and mass inspection tests.

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

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

1. Long-term:

(1) Enhance technical service capability to create opportunities for exchanging and collaborating in new industry applications.
(2) Connect to upstream/downstream development of the global synthetic rubber industry and customer needs while exploring opportunities for new products/new markets/new applications.
(3) Optimize the resource deployment to increase new products sales and profits percentage.
(4) Establish communication platforms with key customers' and development teams in order to jointly develop high quality innovative products.
(5) Assess opportunities to establish strategic alliance with companies in the upper and down streams.
(6) Continue technology exchanges and collaboration with customers and the academic sector to enhance product value. Improve processing technology via opening innovation with the academics.
(7) Continue developing innovative Styrenic Block Copolymers (SBC) products, and establish competitive advantages with differentiated product portfolios meeting customers' needs.
(8) Improve production efficiency and product cost by upgrading manufacturing equipment and ingredients. Continue quality improvement of existing products through production processes optimization.
(9) Continue developing high value-adding applied materials with new TPE technology platform and applications, integrating downstream markets and customers' needs.
(10)Asses the integration of Applied Materials in Greater China business operation for incremental holistic economic values, while optimizing internal and external resources deployment.

2. Short-term:

(1) Established a dedicated SSBR R&D project team to focus on the development and adoption of S-SBR for green tire to respond to the green tire labels promotion in the European Union, Japan and China.
(2) Continue dedicated business development efforts for synthetic rubber and thermal plastic elastomers to explore and develop new product, new markets, and new business models opportunities with feasibility evaluations.
(3) Elevate customers' positioning in the value chain with products in high quality, high value-adding, and highly differentiated segments of the market.
(4) Develop new SIS and high-flow SEBS products for new applications to enrich product portfolio and new market application segments.
(5) Continue strengthening TSRC global supply chain to meet customers' needs worldwide by, optimizing global production, logistics, and demand planning.
(6) Execute the strategy to strengthen technology platform and customers insights to develop high value adding products and applications, Advanced Shoe Materials (ASM) and medical TPE products.
(7) Continue to expand the adoption of Advanced Shoe Materials (ASM) by global footwear brands customers.

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

(1) Market Analysis

1. Major sales destinations

Unit: NTD in thousands

Name of product	2017		Exported territories
	Sales volume	Sales amount	
Synthetic rubber and elastomers	474,755	30,913,807	China, U.S.A., Thailand, Germany, Turkey, Japan, Italy
Applied materials	8,701	831,794	China, South East Asia, and U.S.A.

2. Market share:

Synthetic rubber and elastomers	Asia is the major sales market, accounting for 72% of the total sales, and the sales ratio in American and Eurozone is 14% and 11% respectively.
Applied materials	The Greater China area is the main sales market, accounting for 73% of sales, followed by Vietnam with the sales ratio of 16%.

3. Industry demand supply and Market growth projection

Based on to the LMC's forecast, the operating rate of the synthetic rubber industry in Asia in 2018 will slightly improve, and the demand-supply balance will also recover accordingly. However, the continued increase of raw materials cost leads to the stress in business operations of synthetic rubber manufacturers. TSRC will optimize its pricing dynamics, products portfolio and production mix, as well as well as new product promotion to improve the profitability.

In 2018, significant SEBS production capacities in Asia will become available, and the additional supply will stress the market balance. In terms of market demand, the IMF estimates that the strong demand growth in 2017 will continue in 2018, and the annual global growth rate for the next two years are adjusted upwards to 3.9%. Similarly, the World Bank is adjusting the economic growth rate upwards and estimates that the growth will continue for the next few years. Overall, the 2017 growth trend will continue into 2018. However, the downside risk are worth noting. The likely tightening of fiscal and monetary policies, the emergence of protectionism, uncertainty in China economic policy setting extreme climate changes, and geopolitical tensions and conflicts will have significant impacts on global economics. Diligent monitoring of downstream market demand is necessary and crucial for business operation.

4. Competitive positioning, future development factors and actions

The anti-dumping duties imposed on E-SBR of Korean companies by the United States and India will affect their sales planning. TSRC is actively expanding the sales channel in the United States and increasing the sales volume in India through the Indian Synthetic Rubber Private Limited to capture the new sales opportunities.

TSRC is the leader in TPE market. We have comprehensive SBC products offering and TPE applied materials, including TAIPOL®, VECTOR® SBS, SIS, SEBS, and downstream T-BLEND® TPE applied materials. The Company continues to expand service networks in Asia, Europe and America to provides customers with consistently reliable solutions and timely technical service.

In addition to the comprehensive global supply, TSRC also continues to differentiate with innovative products, accelerate the transformation in industry applications, and develop markets with high-added values. Recently, TSRC also actively developed multiple new products with target customers, such as free-floating SEBS, medical TPE, special non-linear structure glues, and repeatedly sticking SIS products. As for the downstream product of T-BLEND® TPE, TSRC will, based on the terminal market segment, use the leading compounding technology and cooperate with the brand customer to jointly develop and focus on the product applications with high-added values, such as high-end shoe materials, soft materials, kitchenware, and wearable accessories. Therefore, TSRC is able to maintain 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:

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

2.Outline of production process:

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

(3) Supply of main raw materials

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

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

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

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

Unit: NTD in thousands

	2017				2016			
Item	Suppliers	Value	Percentage of total net procurement	Relationto the issuer	Suppliers	Value	Percentage of total net procurement	Relationto the issuer
1	Others	27,283,635	100%	–	CPC	2,141,318	10%	No
		–	–	–	Others	18,815,890	90%	
	Total	27,283,635	100%		Total	20,957,208	100%	
Causes		TSRC added new butadiene suppliers in 2017, and the net purchased ratio from CPC Taiwan was lower than 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	2017			2016		
	Capacity	Output	Output value	Capacity	Output	Output value
Synthetic rubber and elastomers	562,892	490,507	27,853,645	562,700	470,120	21,507,970
Applied materials	20,759	14,009	620,888	16,500	11,991	553,013
Total	583,651	504,516	28,474,533	579,200	482,111	22,060,983

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

Unit: NTD in thousands/ton

Product	2017				2016			
	Domestic		Export		Domestic		Export	
	Volume	Value	Volume	Value	Volume	Value	Volume	Value
Synthetic rubber and elastomers	340,517	21,694,549	134,238	9,219,258	315,532	18,428,646	164,164	7,691,873
Applied materials	5,205	416,298	3,496	415,496	5,178	408,550	3,801	383,879
Others	–	20,636	–	–	–	42,142	–	–
Total	345,722	22,131,483	137,734	9,634,754	320,710	18,879,338	167,965	8,075,752

III. Employees information

Item \ Fiscal year		2017	2016	February 28, 2018
	Direct workers	779	768	791
	Indirect workers	702	687	696
	Total of employees	1,481	1,455	1,487
	Average age	39.7(years old)	39.0(years old)	39.7(years old)
	Average seniorities	10.4(years)	10.0(years)	10.5(years)
Education level (%)	Ph.D.	1%	1%	1%
	Master	13%	13%	13%
	Bachelor	63%	62%	63%
	Senior high school	19%	20%	19%
	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. The equipment component leakage exceeded the requirement of "Restriction and Emission Standards for VOC Organics from Equipment Components of Kaohsiung City." TSRC was subject to a fine of NTD 100 thousand. 2. The liquid level meter of the ammonia absorption tank was unable to normally indicate water seal level. TSRC was subject to a fine of NTD 100 thousand.	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.
Counterpart, or authority imposing fines	Kaohsiung Factory	No
Compensation and fines	NTD200,000	No
Adoption of improvement measures	1. Designate personnel to inspect 300 points of " equipment components" in all workshops on a weekly basis 2. The industrial safety unit randomly inspects " equipment components" of all factories on a monthly basis 3. Where the equipment components in all production process are changed or maintained, well-trained and qualified personnel shall inspect the components with devices to ensure that there is no leakage before acceptance 4. Before opening tanks and cleaning equipment, personnel shall boil the tanks with steam to avoid the emission of VOCs 5. Entrust inspecting firms to conduct FTIR inspection in the plants to confirm the time, frequency of emission source and the direction of pollution source 6. Review the operation conditions of permission to operate stationary sources of all units 7. The associated personnel of the industrial safety unit shall inspect the operation conditions of permission to operate stationary sources in all units on a weekly basis and shall provide the inspection result in the production meeting for review and improvement.	Continue to maintain the normal function of anti-pollution equipment

V. Labor relations

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

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

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

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

In respect of employees' training, the rules for employees' training are followed. The training plans are set based on the Company's business policies, units' requirements and relevant laws/regulations, and the general knowledge, professional skills and management ability programs for the newly recruited and employees are handled according to the plans. Meanwhile, the "life-time learning" goal is fulfilled through such training modes as OJT, Off-JT and SD, withthe training fees in 2017 being to the value of NTD11,727,000. There were about 6,143 trainees. The average training fees per person were NTD4,100 and the training hours per person were 31 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 2017, 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 2017 and until February 28, 2018.

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

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

VI. Material contracts

Nature	Concerned party	Duration	Contents	Restrictive terms
Joint venture	UBE Industries Ltd., Marubeni Corporation UBE (Thailand) Co., Ltd	Oct. 20, 1995 until termination of the cooperative relationship	The joint venture for production and sale of BR with the annual capacity of 50 thousand 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 thousand in China	
Technology supply and services	Trimurti Holding 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 thousand 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 thousand 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 Limited. 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 thousand 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
Technology license	TSRC (Nantong) Industrial Ltd.	January 1, 2012 to January 1, 2022	Extend to a 35 thousand 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 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 million	Loan amount cannot be drawn again.
Medium-and long-term loan	Mega International Commercial Bank	October 3, 2014 to November 25, 2019	Loaned NT$500 million	Loan amount cannot be drawn again.
Technology license	TSRC (Nantong) Industrial Ltd.	September 1, 2017 to within ten years starting from the issuance of the first invoice of the new production line	Adding the permission for SEBS authorized products with the annual production of 20 thousand tons	

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

Item \ Fiscal year		Financial information for the recent years				
		Individual				
		2017	2016	2015	2014	2013
Current assets		3,709,562	3,885,668	3,532,055	4,303,033	3,836,060
Property, plant and equipment		2,760,238	2,699,834	2,686,179	2,406,647	2,429,360
Intangible assets		86,312	37,972	49,355	61,045	79,310
Other assets		16,104,401	16,125,052	16,128,518	15,321,868	14,559,149
Total assets		22,660,513	22,748,526	22,396,107	22,092,593	20,903,879
Current liability	Before distribution	6,304,390	5,141,128	3,398,866	3,646,329	4,043,157
	After distribution	(Note)	5,966,838	4,274,119	4,901,408	5,120,512
Non-current liability		1,478,607	2,266,177	2,752,556	2,241,604	1,285,525
Total liability	Before distribution	7,782,997	7,407,305	6,151,422	5,887,933	5,328,682
	After distribution	(Note)	8,233,015	7,026,675	7,143,012	6,406,037
Equity attributable to shareholders of the parent		14,877,516	15,341,221	16,244,685	16,204,660	15,575,197
Common stock		8,257,099	8,257,099	8,257,099	8,257,099	7,863,904
Capital surplus		41,043	849	849	849	849
Retained earnings	Before distribution	5,431,836	5,381,012	5,414,016	6,194,132	6,536,125
	After distribution	(Note)	4,555,302	4,538,763	4,939,053	5,458,770
Other equity		1,147,538	1,702,261	2,572,721	1,752,580	1,174,319
Treasury stock		0	0	0	0	0
Non-controlling interest		0	0	0	0	0
Total shareholders' equity	Before distribution	14,877,516	15,341,221	16,244,685	16,204,660	15,575,197
	After distribution	(Note)	14,515,511	15,369,432	14,949,581	14,497,842

Note: The earnings in 2017 will be distributed subject to the resolution of the shareholders' meeting in 2018.

Item \ Fiscal year		Financial information for the recent years				
		Consolidated				
		2017	2016	2015	2014	2013
Current assets		13,913,627	13,627,402	12,389,236	15,659,546	15,295,687
Property, plant and equipment		8,558,709	8,947,258	9,875,244	10,071,167	10,255,107
Intangible assets		1,942,350	2,179,937	2,397,426	2,467,432	2,506,846
Other assets		4,584,655	5,015,330	5,332,079	4,958,508	5,314,724
Total assets		28,999,341	29,769,927	29,993,985	33,156,653	33,372,364
Current liability	Before distribution	10,811,273	9,963,898	7,974,847	10,445,749	10,719,593
	After distribution	(Note)	10,789,608	8,850,100	11,700,828	11,796,948
Non-current liability		1,744,622	2,754,204	3,942,024	4,572,506	5,097,806
Total liability	Before distribution	12,555,895	12,718,102	11,916,871	15,018,255	15,817,399
	After distribution	(Note)	13,543,812	12,792,124	16,273,334	16,894,754
Equity attributable to shareholders of the parent		14,877,516	15,341,221	16,244,685	16,204,660	15,575,197
Common stock		8,257,099	8,257,099	8,257,099	8,257,099	7,863,904
Capital surplus		41,043	849	849	849	849
Retained earnings	Before distribution	5,431,836	5,381,012	5,414,016	6,194,132	6,536,125
	After distribution	(Note)	6,206,722	4,538,763	4,939,053	5,458,770
Other equity		1,147,538	1,702,261	2,572,721	1,752,580	1,174,319
Treasury stock		0	0	0	0	0
Non-controlling interest		1,565,930	1,710,604	1,832,429	1,933,738	1,979,768
Total shareholders' equity	Before distribution	16,443,446	17,051,825	18,077,114	18,138,398	17,554,965
	After distribution	(Note)	16,226,115	17,201,861	16,883,319	16,477,610

Note: The earnings in 2017 will be distributed subject to the resolution of the shareholders' meeting in 2018.

Condensed statement of comprehensive income

Unit: NTD in thousands

Item \ Fiscal year	Financial information for the recent years				
	Individual				
	2017	2016	2015	2014	2013
Operating revenue	11,254,655	8,831,537	8,636,050	12,265,005	12,934,484
Gross profit	896,998	869,843	1,014,433	1,389,526	1,598,652
Operating profit	106,207	143,220	295,190	668,983	730,492
Non-operating income and expenses	790,340	928,346	-6,465	452,372	748,264
Net income before tax	896,547	1,071,566	288,725	1,121,355	1,478,756
Net income	874,107	988,352	529,115	1,141,338	1,495,011
Other comprehensive income (loss)	(552,296)	(934,084)	765,989	565,480	489,651
Total comprehensive income	321,811	54,268	1,295,104	1,706,818	1,984,662
Net income attributable to shareholders of the parent	874,107	988,352	529,115	1,141,338	1,495,011
Net income attributable to non-controlling interests	0	0	0	0	0
Total comprehensive income attributable to shareholders of the parent	321,811	54,268	1,295,104	1,706,818	1,984,662
Total comprehensive income attributable to non-controlling interests	0	0	0	0	0
EPS (Note)	1.06	1.20	0.64	1.38	1.81

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

Item \ Fiscal year	Financial information for the recent years				
	Consolidated				
	2017	2016	2015	2014	2013
Operating revenue	31,766,237	26,955,090	25,981,759	31,868,574	34,422,999
Gross profit	3,328,879	3,880,881	3,375,615	3,963,338	4,267,101
Operating profit	1,202,526	1,764,946	1,396,683	1,939,858	2,064,932
Non-operating income and expenses	(65,391)	(157,636)	(750,683)	(392,314)	37,070
Net income before tax	1,137,135	1,607,310	646,000	1,547,544	2,102,002
Net income	849,717	1,093,607	601,147	1,243,746	1,715,482
Other comprehensive income (loss)	(568,595)	(1,072,228)	737,495	624,067	522,061
Total comprehensive income	281,122	21,379	1,338,642	1,867,813	2,237,543
Net income attributable to shareholders of the parent	874,107	988,352	529,115	1,141,338	1,495,011
Net income attributable to non-controlling interests	(24,390)	105,255	72,032	102,408	220,471
Total comprehensive income attributable to shareholders of the parent	321,811	54,268	1,295,104	1,706,818	1,984,662
Total comprehensive income attributable to non-controlling interests	(40,689)	(32,889)	43,538	160,995	252,881
EPS (Note)	1.06	1.20	0.64	1.38	1.81

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

CPA's name and auditor's opinion

Fiscal year	CPA's name	Auditor's opinion
2017	Po Shu Hung Ann Tine Yu	Unqualified opinion
2016	Po Shu Hung Ann Tine Yu	Unqualified opinion
2015	Po Shu Hung Ann Tine Yu	Unqualified opinion
2014	Po Shu Hung Ann Tine Yu	Unqualified opinion
2013	Po Shu Hung Ann Tine Yu	Unqualified opinion

II. Financial analysis for the recent five fiscal years

(1) Financial analysis

Item	Fiscal year	2017	2016	2015	2014	2013
		Financial information for the recent years				
		Individual				
Financial structure (%)	Debt-asset ratio	34.35	32.56	27.47	26.65	25.49
	Ratio of long-term capital to property, plant and equipment	592.56	652.17	707.22	766.47	694.04
Solvency %	Current ratio	58.84	75.58	103.92	118.01	94.88
	Quick ratio	23.76	35.57	53.21	72.05	50.78
	Interest coverage ratio	13.53	19.50	6.89	30.72	50.67
Operating ability	Receivables turnover rate (times)	9.21	7.27	6.19	8.00	7.78
	Average collection days for receivables	39.63	50.21	58.97	45.64	46.92
	Inventory turnover rate (times)	4.94	4.29	4.56	6.42	5.73
	Payables turnover rate (times)	11.26	9.49	12.37	15.49	15.64
	Average days of sales	73.89	85.08	80.04	56.85	63.70
	Property, plant and equipment turnover rate (times)	4.12	3.28	3.39	5.07	5.29
	Total assets turnover rate (times)	0.50	0.39	0.39	0.57	0.61
Profitability	Return on assets (%)	4.11	4.59	2.56	5.45	7.22
	Return on equity (%)	5.79	6.26	3.26	7.18	9.58
	Ratio of income before tax to paid-in capital (%)	10.86	12.98	3.50	13.58	18.80
	Profit margin before tax (%)	7.77	11.19	6.13	9.31	11.56
	EPS (NTD)	1.06	1.20	0.64	1.38	1.81
Cash flows	Cash flow ratio (%)	2.58	2.30	31.33	11.07	42.24
	Cash flow adequacy ratio (%)	41.77	41.65	(Note)	(Note)	(Note)
	Cash flow reinvestment ratio (%)	-3.02	-3.31	-0.79	-2.89	-1.52
Leveraging	Operating leverage	30.93	21.22	10.53	5.32	1.26
	Financial leverage	3.07	1.68	1.20	1.06	1.04

1. The current ratio is mainly caused by the increase in current liabilities.
2. Times interest earned is mainly caused by the increase in net profit before taxation.
3. The receivables turnover rate, turnover rate of property, plants and equipment, total asset turnover rate, net profit margin, and degree of operating leverage are mainly caused by the increase of net operating income.
4. The degree of financial leverage is mainly caused by the increase of interest expenses.

Note: There are no five-year IFRS financial

Item \ Fiscal year		Financial information for the recent years				
		Consolidated				
		2017	2016	2015	2014	2013
Financial structure (%)	Debt-asset ratio	43.30	42.72	39.73	45.29	47.40
	Ratio of long-term capital to property, plant and equipment	212.51	221.36	222.97	225.50	220.89
Solvency %	Current ratio	128.70	136.77	155.35	149.91	142.69
	Quick ratio	72.44	82.41	95.02	93.75	89.73
	Interest coverage ratio	7.04	11.61	5.14	8.77	12.37
Operating ability	Receivables turnover rate (times)	8.19	7.59	7.21	8.03	7.17
	Average collection days for receivables	44.56	48.08	50.62	45.45	50.90
	Inventory turnover rate (times)	4.98	4.54	4.25	4.86	5.13
	Payables turnover rate (times)	15.75	14.71	16.85	19.55	18.45
	Average days of sales	73.29	80.39	85.88	75.10	71.15
	Property, plant and equipment turnover rate (times)	3.63	2.86	2.61	3.14	3.36
	Total assets turnover rate (times)	1.08	0.90	0.82	0.96	1.00
Profitability	Return on assets (%)	3.42	4.08	2.31	4.24	5.42
	Return on equity (%)	5.07	6.23	3.32	6.97	9.66
	Ratio of income before tax to paid-in capital (%)	13.77	19.47	7.82	18.74	26.73
	Profit margin before tax (%)	2.67	4.06	2.31	3.90	4.98
	EPS (NTD)	1.06	1.20	0.64	1.38	1.81
Cash flows	Cash flow ratio (%)	14.72	9.11	52.71	19.49	39.19
	Cash flow adequacy ratio (%)	109.82	103.78	(Note)	(Note)	(Note)
	Cash flow reinvestment ratio (%)	2.41	-0.18	8.62	2.27	4.99
Leveraging	Operating leverage	8.23	5.76	6.88	4.93	1.15
	Financial leverage	1.19	1.09	1.13	1.11	1.10

1. Times interest earned is mainly caused by the increase in net profit before taxation.
2. The turnover rate of property, plants and equipment is mainly caused by the increase of net operating income.
3. The net profit before tax to paid-in capital ratio is mainly caused by the decrease of net profit before tax.
4. The net profit margin is mainly caused by the increase of net operating income.
5. The earnings per share is mainly caused by the decrease of net profit after tax.
6. The cash flow ratio is mainly caused by the increase of net cash flow from operating activities.
7. The cash reinvestment ratio is mainly caused by the increase of net cash flow from operating activities.
8. The degree of operating leverage is mainly caused by the decrease of operating revenues.

Note: There are no five-year IFRS financial

1. Financial structure:

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

2. Solvency:

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

3. Operating ability:

1) Receivables (including accounts receivable and notes receivable arising from business 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)

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 2017 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 2018 Annual Shareholders' Meeting

TSRC Corporation

The convener of Audit Committee Robert Hung

Date: March 15, 2018

IV. Consolidated financial statements and independent auditors' report for the most recent fiscal year- Please refer to Page 82.

V. Individual financial statements and independent auditors' report for the most recent fiscal year-Please refer to Page 141.

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

Item \ Fiscal year	2017	2016	Variation	
			Amount	%
Current assets	13,913,627	13,627,402	286,225	2.10
Property, plant and equipment	8,558,709	8,947,258	(388,549)	-4.34
Intangible assets	1,942,350	2,179,937	(237,587)	-10.90
Other assets	4,584,655	5,015,330	(430,675)	-8.59
Total assets	28,999,341	29,769,927	(770,586)	-2.59
Current liabilities	10,811,273	9,963,898	847,375	8.50
Non-current liabilities	1,744,622	2,754,204	(1,009,582)	-36.66
Total liabilities	12,555,895	12,718,102	(162,207)	-1.28
Capital stock	8,257,099	8,257,099	0	0.00
Capital Surplus	41,043	849	40,194	4734.28
Retained earnings	5,431,836	5,381,012	50,824	0.94
Total shareholders' equity	16,443,446	17,051,825	(608,379)	-3.57

Description for material changes and impacts:

1. The decrease in non-current liabilities is mainly caused by the repayment of long-term loans in this period.
2. The increase in additional paid-in capital is mainly caused by the reclassification of unclaimed dividends for more than five years to additional paid-in capital.

II. Financial performance:

(1) Analysis and comparison of financial performance

Unit: NTD in thousands

Item \ Fiscal year	2017	2016	Amount change	Percentage change (%)
Revenue	31,766,237	26,955,090	4,811,147	17.85
Operating cost	28,437,358	23,074,209	5,363,149	23.24
Gross profit	3,328,879	3,880,881	(552,002)	-14.22
Operating expenses	2,345,389	2,247,170	98,219	4.37
Other income and expenses	219,036	131,235	87,801	66.90
Operating profit	1,202,526	1,764,946	(562,420)	-31.87
Non-operating revenues and gains	(65,391)	(157,636)	92,245	-58.52
Net income before tax	1,137,135	1,607,310	(470,175)	-29.25
Less: income tax expenses	287,418	513,703	(226,285)	-44.05
Net income	849,717	1,093,607	(243,890)	-22.30

Description of addition, deduction, changes, and impacts:

1. The gross profit of the current year decreased compared to the previous year, which was mainly caused by the acute price fluctuation of the main raw material butadiene and the decrease of customer demand that was unable to completely shift the increase of costs.
2. The increase of other net operating income and expenses is mainly caused by the increase of premiums and royalties in the current period.
3. The increase in non-operating revenue and income is mainly caused by the increase of profits from the reinvested companies in the current period.
4. The decrease in income tax expenses is mainly caused by the decrease of profits in the current period and the decrease of tax rates in the United States.

Sales volume forecast and the basis there of

Unit: ton

Name of product	2017	
	Sales volume fore cast	Basis
SBR, BR, TPE	503,468	Subject to the requirement of the market and customers
TPR	10,742	Subject to the requirement of the market and customers forecast growth
Total	514,210	

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
3,508,340	1,591,246	(1,232,932)	(306,214)	3,560,440	–	–

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

1. Operating activities: This mainly comes from the cash inflow of NT$2,264,058 thousand generated from income items, cash outflow of NTD 337,393 thousand generated from the net changes of operating assets and liabilities, net interest expense of NTD134,502 thousand and income tax payment of NTD200,917 thousand.
2. Investing activities: The 396,173 thousand net cash outflow from investing activities is mainly generated from the cash inflow of 254,448 thousand from disposal financial assets for sale, cash outflow of 652,568 thousand from acquiring property, plants and equipment, cash inflow of 52,343 thousand from collecting dividends, and cash outflow of 81,959 thousand from losing the control over subsidiaries.
3. Financing activities: The net cash outflow of NTD836,759 thousand generated from financing is mainly caused by the net increase of NTD625,308 thousand of short-term loans, net increase of NTD349,975 thousand of short-term notes and bills payables, an amount of NTD984,638 thousand of long-term loan repayment, and cash dividend appropriation of NTD820,895 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)	Estimated annual net cash flow from investing and financing activities(3)	Projected remainder (deficit) of cash (1)+(2)- (3)	Remedy for insufficient cash	
				Investment plan	Financial plan
3,560,440	2,704,000	(3,216,000)	3,048,440	–	–

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	
				2017	2018
New lines of SEBS	Self-owned capital and loans from banks	2019	3,069,000	93,000	1,736,000
SIS granulator	Self-owned capital	2019	294,500	31,000	217,000

(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:

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

VI. Analysis and assessment of risk management

(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)	(137,027)	(0.43%)	(12.05%)
Net exchange gain (loss)	25,793	0.08%	2.27%

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	200,000
Develop customized shoe materials and high-end applied materials	80,000
Develop a leading production process technology platform	50,000

(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

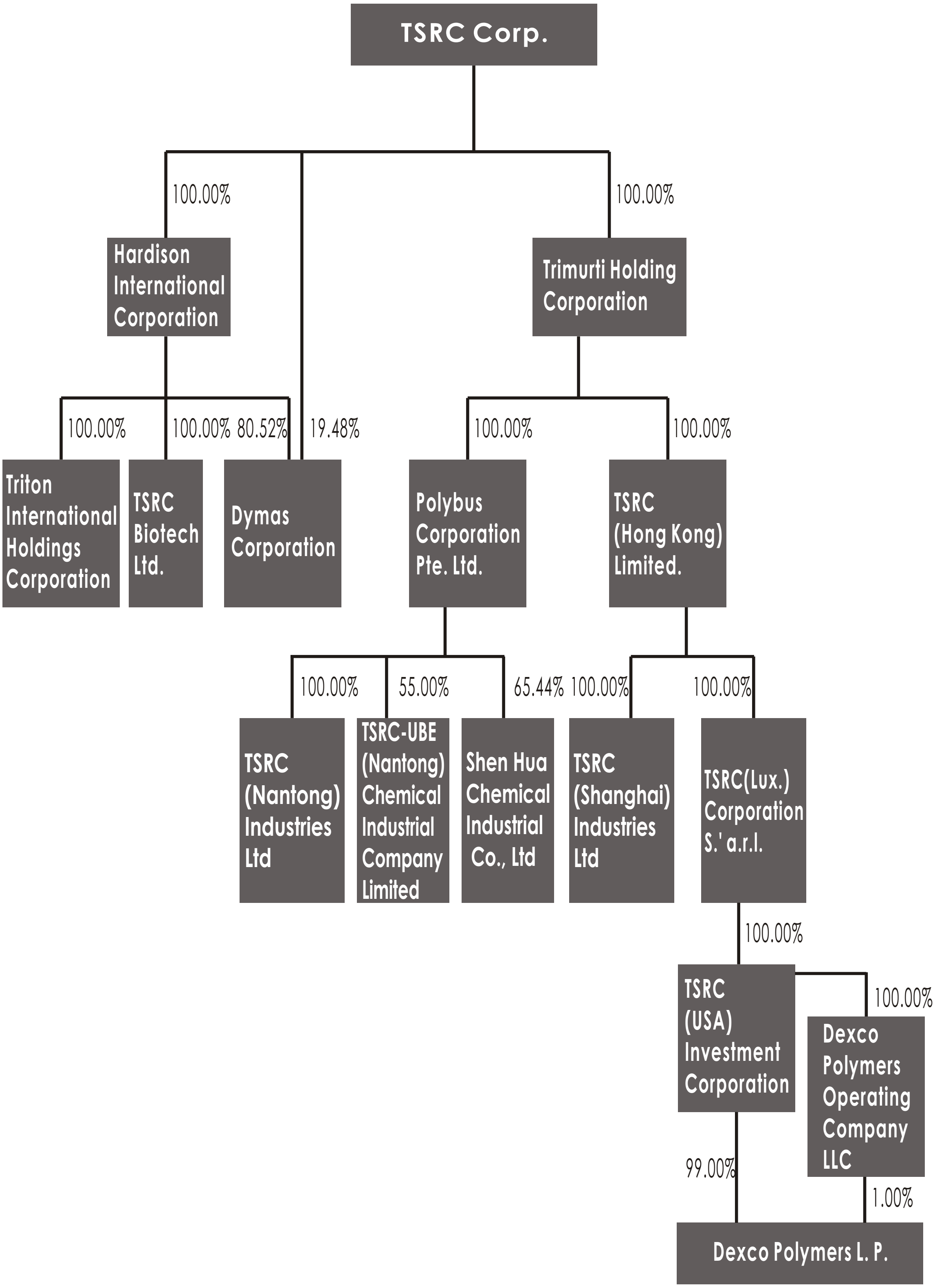
VII. Other important matters: No

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.	USD77,539,000	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

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.

(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	Christian kafka	–	–
TSRC(USA) Investment Corporation	Director	Wing-Keung Hendrick Lam	–	–
	Director	Edward Wang	–	–
	Director	Max Tsai	–	–
	President	Wing-Keung Hendrick Lam	–	–
Triton International Holdings Corporation	Director	Joseph Chai	–	–
	Director	Edward Wang	–	–
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	Peter Lee	–	–
Shen Hua Chemical Industrial Co., Ltd	Chairman	Joseph Chai	–	–
	Director	Edward Wang	–	–
	Director	R. L. Chiu	–	–
	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	Mori Shigeru	–	–
	Director	Mr. Norihiro Furukawa	–	–
	Supervisor	Edward Wang	–	–
	President	Jim Chien	–	–

(6) Overview of operation 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	2,590,762	12,275,391	4,552	12,270,839	–	(41,841)	877,248	10.09
Hardison International Corporation	116,297	782,231	–	782,231	–	(358)	30,404	7.80
Dymas Corporation	177,881	827,602	–	827,602	–	(84)	32,290	5.42
Polybus Corporation Pte Ltd	2,149,056	7,590,463	115,990	7,474,473	756,046	21,907	619,206	5.85
TSRC (Hong Kong) Limited	2,323,667	3,070,917	11,676	3,059,241	–	(454)	191,352	2.46
Triton International Holdings Corporation	1,492	109,002	–	109,002	–	(140)	4,757	95.14
TSRC Biotech Ltd	90,141	5	–	5	–	–	–	–
TSRC (Lux.) Corporation S.' a. r. l.	1,812,254	3,407,605	839,308	2,568,297	2,758,982	27,858	136,842	2.69
TSRC (USA) Investment Corporation	2,090,852	3,331,804	831,974	2,499,830	–	(190,569)	117,340	1.68
Dexco Polymers L.P.	–	2,080,822	643,534	1,437,288	4,042,280	289,568	298,460	–
TSRC (Shanghai) Industries Ltd	164,164	435,107	61,892	373,215	516,637	69,921	64,899	–
Shen Hua Chemical Industrial Co., Ltd	1,230,335	3,698,763	983,453	2,715,310	8,432,836	11,000	(21,140)	–
TSRC (Nantong) Industries Ltd	2,314,384	4,933,570	1,021,496	3,912,074	4,796,461	913,905	654,067	–
TSRC-UBE (Nantong) Chemical Industrial Company Limited	1,193,920	2,444,375	1,030,330	1,414,045	3,401,532	395	(42,887)	–

(Note) Spot exchange rate on the balance sheet date under the title of assets=USD1:NTD 29.848.
Spot exchange rate on the balance sheet date under the title of income=USD1:NTD 30.4499.

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. 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.

II. 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

In the most recent year and as of the publication date of the annual report, 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, 2017, 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 15, 2018

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, 2017 and 2016, 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, 2017 and 2016, 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, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2017 and 2016 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, 2017. 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(t) 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(e) 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, 2017 and 2016, 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 15, 2018

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(expressed in thousands of New Taiwan dollar)

	Dec.31, 2017			Dec.31, 2016	
Assets		**Amount**	**%**	**Amount**	**%**
Current assets:					
Cash and cash equivalents (note 6(a))	$	3,560,440	12	3,508,340	12
Notes receivable, net (note 6(d))		909,467	3	657,959	2
Accounts receivable, net (note 6(d))		2,907,588	10	3,286,913	11
Other receivable (notes 6(d) and 7)		76,088	–	132,978	1
Current income tax assets		38,795	–	55,785	–
Inventories (note 6(e))		6,040,680	21	5,379,908	18
Other current assets (note 6(k))		380,569	1	605,519	2
Total current assets		13,913,627	47	13,627,402	46
Non-current assets:					
Available-for-sale financial assets – non-current (note 6(c))		1,120,121	4	1,336,406	5
Investments accounted for under equity method (notes 6(f), 6(g) and 7)		1,123,944	4	1,236,754	4
Property, plant and equipment (notes 6(h), 6(i) and 9)		8,558,709	29	8,947,258	30
Investment property (note 6(i))		1,611,050	6	1,625,775	5
Intangible assets (note 6(j))		1,942,350	7	2,179,937	7
Deferred income tax assets (note 6(p))		292,498	1	321,717	1
Other non-current assets (note 6(k) and 8)		437,042	2	494,678	2
Total non-current assets		15,085,714	53	16,142,525	54
Total assets	$	28,999,341	100	29,769,927	100

See accompanying notes to these financial Statements (Continued)

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2017 and 2016

(expressed in thousands of New Taiwan dollar)

Liabilities and Equity		Dec.31, 2017 Amount	%	Dec.31, 2016 Amount	%
Current liabilities:					
Short-term borrowings (notes 6(l) and 8)	$	6,365,254	22	5,846,074	20
Current portion of long-term borrowings (notes 6(l) and 8)		800,000	3	813,171	3
Short-term commercial paper payable (note 6(l))		349,975	1	–	–
Financial liabilities at fair value through porfit or loss — current (note 6(b))		226	–	–	–
Accounts payable		1,793,092	6	1,779,577	6
Accounts payable – related parties (note 7)		35,663	–	2,535	–
Current income tax liabilities		118,045	–	72,878	–
Other payable (notes 6(m), 6(o), 6(s) and 7)		1,170,557	4	1,250,649	4
Other current liabilities (notes 6(l) and 6(n))		178,461	1	199,014	1
Total current liabilities		10,811,273	37	9,963,898	34
Non-Current liabilities:					
Long-term borrowings (notes 6(l) and 8)		800,000	3	1,806,586	6
Provision liabilities – non-current (note 7)		26,999	–	22,958	–
Deferred income tax liabilities (note 6(p))		665,560	2	670,435	2
Other non-current liabilities (notes 6(l) and 6(o))		252,063	1	254,225	1
Total non-current liabilities		1,744,622	6	2,754,204	9
Total liabilities		12,555,895	43	12,718,102	43
Equity attributable to shareholders of the company (notes 6(p), 6(q) and 6(w):					
Common stock		8,257,099	29	8,257,099	28
Capital surplus		41,043	–	849	–
Retained earnings:					
Legal reserve		3,770,512	13	3,671,676	12
Unappropriated earnings		1,661,324	6	1,709,336	6
		5,431,836	19	5,381,012	18
Other equity:					
Financial statement translation differences for foreign operations		512,008	2	990,359	3
Unrealized gain on valuation of available-for-sale financial assets		623,809	2	735,464	2
Loss on effective portion of cash flow hedges		11,721	–	(23,562)	–
		1,147,538	4	1,702,261	5
Total equity attributable to shareholders of the company		14,877,516	52	15,341,221	51
Non-controlling interests		1,565,930	5	1,710,604	6
Total equity		16,443,446	57	17,051,825	57
Total liabilities and equity	$	28,999,341	100	29,769,927	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, 2017 and 2016

(expressed in thousands of New Taiwan dollars)

	Dec.31, 2017		Dec.31, 2016	
	Amount	**%**	**Amount**	**%**
Revenue (notes 6(t) and 7)	$ 31,766,237	100	26,955,090	100
Operating costs (notes 6(e), 6(h), 6(j), 6(k), 6(m), 6(n), 6(o), 6(s) and 7)	28,437,358	90	23,074,209	86
Gross profit	3,328,879	10	3,880,881	14
Operating expenses (notes 6(h), 6(j), 6(k), 6(n), 6(o), 6(s) and 7):				
Selling expenses	950,976	3	931,596	3
General and administrative expenses	1,018,863	3	968,874	3
Research and development expenses	375,550	1	346,700	1
Total operating expenses	2,345,389	7	2,247,170	7
Other income and expenses, net (notes 6(i), 6(j), 6(m), 6(n), 6(o), 6(u) and 7)	219,036	1	131,235	–
Operating profit	1,202,526	4	1,764,946	7
Non-operating income and expenses (notes 6(f) and 6(u)):				
Interest income	51,122	–	42,883	–
Other gains and losses	231,602	1	40,286	–
Finance costs	(188,149)	(1)	(151,557)	(1)
Share of loss of associates and joint ventures accounted for under equity method	(159,966)	–	(89,248)	–
Total non-operating income and expenses	(65,391)	–	(157,636)	(1)
Net income before tax	1,137,135	4	1,607,310	6
Less: Tax expense (note 6(p))	287,418	1	513,703	2
Net income	849,717	3	1,093,607	4
Other comprehensive income (loss):				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	2,427	–	(63,624)	–
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	–	–	–	–
Components of other comprehensive income that will not be reclassified to profit or loss	2,427	–	(63,624)	–
Items that may be reclassified subsequently to profit or loss:				
Financial statements translation differences for foreign operations	(550,512)	(2)	(780,648)	(3)
Unrealized gains (losses) on valuation of available-for-sale financial assets	(111,655)	–	(164,438)	(1)
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	91,145	–	(63,518)	–
Income tax expense relating to components of other comprehensive income (loss)	–	–	–	–
Components of other comprehensive income that will be reclassified to profit or loss	(571,022)	(2)	(1,008,604)	(4)
Other comprehensive income (loss), net of tax	(568,595)	(2)	(1,072,228)	(4)
Total comprehensive income	$ 281,122	1	21,379	–
Net income (loss) attributable to:				
Shareholders of parent	$ 874,107	3	988,352	4
Non-controlling interests	(24,390)	–	105,255	–
	$ 849,717	3	1,093,607	4
Total comprehensive income attributable to:				
Shareholders of parent	$ 321,811	1	54,268	–
Non-controlling interests	(40,689)	–	(32,889)	–
	$ 281,122	1	21,379	–
Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(r))	$ 1.06		1.20	

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, 2017 and 2016

(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, 2016	$ 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
Changes in ownership interests in subsidiaries under equity method	–	–	–	(82,479)	(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	1,710,604	17,051,825
Appropriations and distributions:												
Legal reserve	–	–	98,836	(98,836)	–	–	–	–	–	–	–	–
Cash dividends	–	–	–	(825,710)	(825,710)	–	–	–	–	(825,710)	(36,664)	(862,374)
Other changes in capital surplus	–	40,194	–	–	–	–	–	–	–	40,194	–	40,194
Net income	–	–	–	874,107	874,107	–	–	–	–	874,107	(24,390)	849,717
Other comprehensive income (loss)	–	–	–	2,427	2,427	(478,351)	(111,655)	35,283	(554,723)	(552,296)	(16,299)	(568,595)
Total comprehensive income (loss)	–	–	–	876,534	876,534	(478,351)	(111,655)	35,283	(554,723)	321,811	(40,689)	281,122
Change in ownership interests in subsidiaries	–	–	–	–	–	–	–	–	–	–	(67,321)	(67,321)
Balance at December 31, 2017	$ 8,257,099	41,043	3,770,512	1,661,324	5,431,836	512,008	623,809	11,721	1,147,538	14,877,516	1,565,930	16,443,446

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, 2017 and 2016
(expressed in thousands of New Taiwan dollars)

		2017	2016
Cash flows from operating activities:			
Consolidated net income before tax	$	1,137,135	1,607,310
Adjustments:			
Adjustments to reconcile profit and loss:			
Depreciation		868,770	914,745
Amortization		149,004	170,370
Interest expense		188,149	151,557
Interest income		(51,122)	(42,883)
Dividend income		(52,343)	(64,021)
Share of profit of associates and joint ventures accounted for under equity method		159,966	89,248
Loss on disposal of property, plan and equipment		8,997	10,795
Gain on disposal of investments		(154,458)	–
Amortization of long-term prepaid rent		9,960	11,065
Total adjustments to reconcile profit and loss		1,126,923	1,240,876
Changes in operating assets and liabilities:			
Net changes in operating assets:			
Notes receivable		(251,508)	(41,701)
Accounts receivable		378,265	(741,838)
Other receivable		54,605	21,635
Inventories		(660,772)	(597,365)
Other current assets		224,593	(350,128)
Total changes in operating assets, net		(254,817)	(1,709,397)
Net changes in operating liabilities:			
Financial liabilities at fair value through profit or loss		226	–
Accounts payable		13,936	438,155
Accounts payable－related parties		33,128	(10,660)
Other payable		(116,087)	145,088
Other current liabilities		(20,553)	(61,058)
Net defined benefit liability		2,761	(200,210)
Other operating liabilities		4,013	(2,287)
Total changes in operating liabilities, net		(82,576)	309,028
Total changes in operating assets and l iabilities, net		(337,393)	(1,400,369)
Total adjustments		789,530	(159,493)
Cash provided by operating activities		1,926,665	1,447,817
Interest income received		52,558	36,672
Interest paid		(187,060)	(149,359)
Income taxes paid		(200,917)	(427,159)
Net cash provided by operating activities		1,591,246	907,971

TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows (Continued)
For the years ended December 31, 2017 and 2016
(expressed in thousands of New Taiwan dollars)

		2017	2016
Cash flows from investing activities:			
Proceeds from disposal of available-for-sale financial assets		254,448	–
Acquisition of investments accounted for under equity method		–	(222,629)
Acquisition of property, plant and equipment		(652,568)	(501,233)
Proceeds from disposal of property, plant and equipment		2,082	722
Decrease in other non-current assets		29,481	34,616
Dividends received		52,343	106,491
Lose control of subsidiaries		(81,959)	–
Net cash used in investing activities		(396,173)	(582,033)
Cash flows from financing activities:			
Increase in short-term borrowings		37,497,175	19,983,342
Decrease in short-term borrowings		(36,871,867)	(18,003,357)
Increase in short-term commercial paper payable		3,742,751	1,518,221
Decrease in short-term commercial paper payable		(3,392,776)	(1,818,136)
Repayments of long-term borrowings		(984,638)	(1,097,803)
Decrease in finance lease liabilities		(6,509)	(6,435)
Cash dividends paid		(861,089)	(963,742)
Overaging unclaimed dividends		40,194	–
Net cash used in financing activities		(836,759)	(387,910)
Effects of changes in exchange rates		(306,214)	(410,976)
Net increase (decrease) in cash and cash equivalents		52,100	(472,948)
Cash and cash equivalents at beginning of period		3,508,340	3,981,288
Cash and cash equivalents at end of period	$	3,560,440	3,508,340

See accompanying notes to the Consolidated financial Statements

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

(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 to be No.2, Singgong Rd., Dashe Dist., Kaohsiung City. The consolidated financial statements comprise the Company and its subsidiaries (the Group) and the interests of the Group in associate companies and in jointly controlled companies. The Group is mainly engaged in the manufacture, import and sale of various types of synthetic rubber, and the import, export, and sale of related raw materials. Please refer to note 14.

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were approved by the Board of Directors and published on March 15, 2018.

(3) New Standards and Interpretations

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

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 " Presentation of Financial Statements-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"	January 1, 2014
Amendment to IAS 27 "Equity Method in Separate Financial Statements"	January 1, 2016
Amendments to IAS 36 " Impairment of Non-Financial assets-Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	January 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	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) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. In addition, based on the announcement issued by the FSC on December 12, 2017, the Group can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes-Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 20142016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

(i) IFRS 9 "Financial Instruments"

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

1) Classification-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Group does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Group had equity investments classified as available-for-sale with a fair value of $1,120,121 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Group has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Group estimated the application of IFRS 9's classification requirements on January 1, 2018 resulting in a decrease of $29,848 thousand in the reserves, as well as the increase of $29,848 thousand in retained earnings.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.12

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs. These are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Group believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Group estimated the application of IFRS 9's impairment requirements on January 1, 2018 would not generate a material impact on assets, liabilities and equity.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's assessment included an analysis to identify data gaps against current processes and the Group plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

- The Group will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.
- The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

The determination of the business model within which a financial asset is held.

The designation of certain investments in equity instruments not held for trading as at FVOCI.13

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

The Group has completed an initial assessment of the potential impact of the adoption of IFRS 15 on its consolidated financial statements.

1) Sales of goods

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

2) Transition

The Group plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Group plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. 1 January 2018) will not be restated.

The Group's preliminary assessment indicated that the application of IFRS 15 Revenue from Contracts with Customers would not have material impact on consolidated financial statements.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. To satisfy the new disclosure requirements, the Group intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

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

(C) The impact of IFRS issued by IASB but not yet endorsed by the FSC As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 20152017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
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.
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 12, 2017	Amendments to IAS 28 "Long-term interests in associates and joint ventures"	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.
February 7, 2018	Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	The amendments clarify that: • on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and • the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognised in other comprehensive income.

The Group is evaluating the impact on its consolidated financial position and consolidated financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Group completes its evaluation.

(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

Name investor	Name of investee	Scope of business	Percentage of ownership Dec. 31, 2017	Dec. 31, 2016	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)
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 3)

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.
Note 3: The Group lost the control of Nantong Qix Storage Co., Ltd (Nantong Qix) in June 2017, due to were amendment of Corporate Charter. Nantong Qix is not in the consolidated financial statements.

(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.

iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm' s length transaction. Fair value generally refers to the quoted market price in active markets. In case there' s no quoted market price, the fair value is supposed to be estimated by evaluation method. Most derivative financial instruments of the Group use the quoted market price provided by financial institutions as a reference.

(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 equipment3~8 years

v. Leased assets 3~8 years

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

(l) Investment property

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

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

(m) Leases

i) Lessor

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

ii) Lessee

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

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

(n) Intangible assets

i) Goodwill

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

ii) Other intangible assets

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

iii) Subsequent expenditure

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

iv) Amortization

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

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

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(e) for inventory measurement.

(6) Description of Significant Accounts

(a) Cash and cash equivalents

	Dec. 31, 2017	Dec. 31, 2016
Cash on hand	$ 435	423
Checking and savings deposits	1,037,168	1,045,220
Time deposits	2,522,837	2,462,697
Cash and cash equivalents per statements of cash flow	$ 3,560,440	3,508,340

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

(b) Financial assets and liabilities at fair value through profit or loss
Financial liabilities held for trading:

		Dec. 31, 2017	Dec. 31, 2016
Derivative instruments not used for hedging	$	226	–

The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. As of December 31, 2017 the Group reported the following derivatives financial instruments as held-for-trading financial liabilities without the application of hedge accounting.

		Liabilities fair value	Currency	Contract amount
December 31, 2017				
Liabilities:				
Forward contracts	$	174	EUR/TWD	650
Forward contracts		52	EUR/USD	200

As of December 31, 2017, these financial instruments had maturity periods from January 18, 2018 to March 21, 2018.

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

		Dec. 31, 2017	Dec. 31, 2016
Listed stocks (domestic or overseas)	$	235,024	368,000
Unlisted stocks (domestic or overseas)		885,097	968,406
Total	$	1,120,121	1,336,406

Please refer to note 6(v) 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:

		2017		2016	
Fluctuation in market price at reporting date		Other comprehensive income (after tax)	Net income	Other comprehensive income (after tax)	Net income
Increase 10%	$	112,012	–	133,641	–
Decrease 10%	$	(112,012)	–	(133,641)	–

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

		Foreign currency amount	Exchange rate	NTD
Dec. 31, 2017 THB	$	343,722	0.9176	315,399
Dec. 31, 2016 THB		416,715	0.9050	377,127

As of December 31, 2017 and 2016, the Group did not pledge any collateral on available-for-sale financial instruments.

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

		Dec. 31, 2017	Dec. 31, 2016
Notes receivable	$	909,467	657,959
Accounts receivable		2,907,867	3,287,195
Other receivable		76,088	132,978
Less: allowance for impairment		279	282
	$	3,893,143	4,077,850

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

		Dec. 31, 2017	Dec. 31, 2016
Past due 0~30 days	$	99,033	58,018
Past due 31~120 days		–	411
	$	99,033	58,429

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, 2017	$	282	−	282
Effect of changes in exchange rate		(3)	−	(3)
Balance at December 31, 2017	$	279	−	279

		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

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.

(e) Inventories

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

		Dec. 31, 2017	Dec. 31, 2016
Raw materials	$	1,905,394	1,900,495
Supplies		98,738	105,100
Work in progress		335,606	383,773
Finished goods		3,114,627	2,506,507
Merchandise		586,315	484,033
Total	$	6,040,680	5,379,908

As of December 31, 2017 and 2016, 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:

		2017	2016
Loss on (reversal of) decline in market value of inventory	$	32,478	(65,103)
Income from sale of scrap		(66,012)	(58,248)
Gain on physical count		2,982	(35)
Loss on idle capacity		99,954	165,227
Total	$	69,402	41,841

The Group reversed the allowance for loss on inventory for the year period ended December 31, 2016, when the Group sold or used the inventories for which an allowance had been provided for the year ended December 31, 2015.

(f) 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, 2017	Dec. 31, 2016
Associates	$	805,561	706,080
Joint ventures		318,383	530,674
	$	1,123,944	1,236,754

i) Associates

For the years ended December 31, 2017 and 2016, the Group recognized its share of gain from the associates of $120,983 thousand and $19,291 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, 2017	Dec. 31, 2016
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, 2017	Dec. 31, 2016
Current assets	$ 2,523,989	2,103,194
Non-current assets	3,779,641	4,269,941
Current liabilities	(3,788,115)	(3,033,333)
Non-current liabilities	(1,958,847)	(3,145,956)
Equity	$ 556,668	193,846
Equity attributable to the Group	$ 189,490	65,985

	2017	2016
Revenue	$ 5,624,915	2,956,876
Net loss of continued operations	$ 263,190	(41,597)
Other comprehensive income (loss)	102,557	(69,218)
Total comprehensive income (loss)	$ 365,747	(110,815)
Total comprehensive income attributable to the Group	$ 124,500	(35,220)

	2017	2016
Beginning equity of the associate attributable to the Group	$ 76,678	(25,595)
Current total comprehensive income of the associate attributable to the Group	124,500	(35,220)
Capital increase	-	140,150
Other	3,915	(2,657)
Ending balance of the equity of the associate attributable to the Group	$ 205,093	76,678

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

	Dec. 31, 2017	Dec. 31, 2016
Current assets	$ 524,169	851,434
Non-current assets	942,114	1,061,494
Current liabilities	(1,082,863)	(1,540,580)
Non-current liabilities	(22,024)	(12,845)
Equity	$ 361,396	359,503
Equity attributable to the Group	$ 180,698	179,752

	2017	2016
Revenue	$ 1,446,906	1,223,210
Net loss of continued operations	$ 4,943	(66,143)
Other comprehensive income (loss)	–	–
Total comprehensive income (loss)	$ 4,943	(66,143)
Total comprehensive income attributable to the Group	$ 2,471	(33,071)

	2017	2016
Beginning equity of the associate attributable to the Group	$ 180,559	235,491
Current total comprehensive income of the associate attributable to the Group	2,471	(33,071)
Other	(1,683)	(21,861)
Ending balance of the equity of the associate attributable to the Group	$ 181,347	180,559

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

	Dec. 31, 2017	Dec. 31, 2016
Balance of not significant associate's equity	$ 419,121	448,843

	2017	2016
Attributable to the Group:		
Income from continued operation	$ 28,922	70,153
Other comprehensive income	–	–
Total comprehensive income	$ 28,922	70,153

ii) Joint ventures

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

	Dec. 31, 2017	Dec. 31, 2016
Balance of not significant joint venture's equity	$ 318,383	530,674

	2017	2016
Attributable to the Group:		
Loss from continued operation	$ (280,949)	(108,539)
Other comprehensive income (loss)	–	–
Total comprehensive income (loss)	$ (280,949)	(108,539)

The dissolution case of Taiwan Advance Material Corp. was approved by the interim meeting of shareholders and Ministry of Economic Affairs in October 2017.

iii) Collateral

As of December 31, 2017 and 2016, the Group did not pledge any collateral on investments accounted for under the equity method.

(g) Lose control of subsidiaries

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

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

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

(h) 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, 2017	$	614,101	106,510	4,062,799	20,289,079	192,592	94,596	357,046	25,716,723
Additions		–	–	–	2,778	343	–	692,022	695,143
Disposals		–	–	(1,775)	(151,425)	(843)	–	–	(154,043)
Reclassification		–	1,460	18,546	167,924	29,606	–	(475,082)	(257,546)
Effect of changes in exchange rates		–	(1,839)	(31,479)	(363,981)	(4,624)	–	(7,904)	(409,827)
Balance at December 31, 2017	$	614,101	106,131	4,048,091	19,944,375	217,074	94,596	566,082	25,590,450
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
Depreciation and impairment loss:									
Balance at January 1, 2017	$	–	84,347	2,036,837	14,493,478	154,803	–	–	16,769,465
Depreciation		–	2,587	129,271	710,898	11,289	–	–	854,045
Disposal		–	–	(1,619)	(140,606)	(739)	–	–	(142,964)
Reclassification		–	–	(16,813)	(127,834)	(989)	–	–	(145,636)
Effect of changes in exchange rates		–	(1,801)	(13,407)	(283,854)	(4,107)	–	–	(303,169)
Balance at December 31, 2017	$	–	85,133	2,134,269	14,652,082	160,257	–	–	17,031,741
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
Carrying value:									
December 31, 2017	$	614,101	20,998	1,913,822	5,292,293	56,817	94,596	566,082	8,558,709
December 31, 2016	$	614,101	24,116	2,287,039	6,538,193	41,502	94,596	275,697	9,875,244
January 1, 2016	$	614,101	22,163	2,025,962	5,795,601	37,789	94,596	357,046	8,947,258

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.

(i) Investment property

		Land	Buildings	Total
Cost:				
Balance as at January 1, 2017	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2017	$	1,073,579	741,889	1,815,468
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
Depreciation:				
Balance as at January 1, 2017	$	–	189,693	189,693
Depreciation		–	14,725	14,725
Balance as at December 31, 2017	$	–	204,418	204,418
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
Carrying value:				
Balance as at December 31, 2017	$	1,073,579	537,471	1,611,050
Balance as at December 31, 2016	$	1,073,579	552,196	1,625,775
Balance as at January 1, 2016	$	1,073,579	566,921	1,640,500
Fair value:				
Balance as at December 31, 2016				$ 3,334,675
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(u) 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	2017	2016
Da'an Dist., Taipei City	2.10%	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, 2017 and 2016, the Group did not pledge any collateral on investment properties.

(j) 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, 2017	$ 1,039,513	201,489	221,719	635,313	1,158,816	9,683	3,266,533
Reclassification	32,157	37,971	–	–	–	–	70,128
Disposals	–	(1,798)	–	–	–	–	(1,798)
Effect of changes in exchange rates	(68,525)	(676)	(16,698)	(47,846)	(87,273)	(729)	(221,747)
Balance at December 31, 2017	$ 1,003,145	236,986	205,021	587,467	1,071,543	8,954	3,113,116
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
Amortization:							
Balance at January 1, 2017	$ 381,187	186,874	–	138,675	370,177	9,683	1,086,596
Amortization	47,275	17,096	–	23,902	60,731	–	149,004
Reclassification	–	(184)	–	–	–	–	(184)
Disposals	–	(1,798)	–	–	–	–	(1,798)
Effect of changes in exchange rates	(21,468)	(660)	–	(10,916)	(29,079)	(729)	(62,852)
Balance at December 31, 2017	$ 406,994	201,328	–	151,661	401,829	8,954	1,170,766
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
Carrying value:							
December 31, 2017	$ 596,151	35,658	205,021	435,806	669,714	–	1,942,350
December 31, 2016	$ 658,326	14,615	221,719	496,638	788,639	–	2,179,937
January 1, 2016	$ 737,795	23,497	227,125	535,194	873,815	–	2,397,426

i) In 2017 and 2016, the amortization of intangible assets were as follows:

	2017	2016
Operating cost	$ 6,793	7,642
Operating expense	$ 142,211	162,728

ii) Impairment Loss

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

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 years 2017 and 2016, the discount rates for the present value of recoverable amounts were 9% to 12%.

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

(k) Prepaid rent

		Land lease prepayment
Cost:		
January 1, 2017	$	526,479
Reclassification		(31,046)
Effects of changes in exchange rates		(5,198)
December 31, 2017	$	490,235
January 1, 2016	$	569,681
Effects of changes in exchange rates		(43,202)
December 31, 2016	$	526,479
Amortization:		
January 1, 2017	$	112,377
Amortization		9,960
Reclassification		(8,072)
Effects of changes in exchange rates		(977)
December 31, 2017	$	113,288
January 1, 2016	$	110,211
Amortization		11,065
Effects of changes in exchange rates		(8,899)
December 31, 2016	$	112,377
Carrying value:		
December 31, 2017	$	376,947
December 31, 2016	$	414,102
January 1, 2016	$	459,470
December 31, 2017		
Current	$	9,805
Non-current		367,142
	$	376,947
December 31, 2016		
Current	$	10,531
Non-current		403,571
	$	414,102

As of December 31, 2017 and 2016, the Group's prepaid rent was not provided as pledged assets for long-term borrowings and credit lines.

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

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

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

As of December 31, 2017 and 2016, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $13,586,947 thousand and $15,497,274 thousand, respectively.

ii) Short-term commercial paper payable

	Dec. 31, 2016		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	INTERNATIONAL BILLS FINANCE CORPORATION	0.87	$ 350,000
Less: discount			25
Total			$ 349,975

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

iii) Long-term borrowings

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

	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

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

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 covenants. As of December 31, 2016, the Group was in compliance with the covenants described above. The loans was repaid in 2017.

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:

December 31, 2017	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	10,595	2,362	8,233
	$ 45,915	3,493	42,422

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

(m) Current provisions (recorded as other payable)

	Onerous Contracts	Provision for defective products	Total
Balance at January 1, 2017	$ 33,599	–	33,599
Increase in provisions	–	58,828	58,828
Provisions recognized	(32,789)	–	(32,789)
Reversal of unused provisions	–	(30,674)	(30,674)
Effect of changes in exchange rates	(810)	170	(640)
Balance at December 31, 2017	$ –	28,324	28,324
Balance at January 1, 2016	$ –	–	–
Increase in provisions	35,313	–	35,313
Effect of changes in exchange rates	(1,714)	–	(1,714)
Balance at December 31, 2016	$ 33,599	–	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.

The Group may have losses caused by the defeats of new products that are not yet mass produced and by the return and compensation occurred after products were delivered to customers. The Group had estimated the provisions based on historical experience and recognized the amount under operating cost.

(n) Operating leases

i) Lessee

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

	Dec. 31, 2017	Dec. 31, 2016
Less than five years	$ 173,442	159,469
More than five years	132,564	162,916
	$ 306,006	322,385

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, 2017 and 2016, lease expenses were $99,299 thousand and $98,379 thousand, respectively.

ii) Lessor

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

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

	Dec. 31, 2017	Dec. 31, 2016
Less than five years	$ 123,408	107,212

(o) Employee benefits

i) Defined benefit plans

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

	Dec. 31, 2017	Dec. 31, 2016
The present value of the defined benefit obligations	$ 598,028	636,379
Fair value of plan assets	(423,675)	(462,360)
The net defined benefit liability	$ 174,353	174,019

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 $423,675 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, 2017 and 2016, were as follows:

		2017	2016
Defined benefit obligation as of 1 January	$	636,379	632,181
Current service costs and interest		14,510	18,251
Remeasurements of net defined benefit liability (asset)			
—Return on plan assets (excluding current interest expense)		10,500	32,301
—Due to changes in financial assumption of actuarial (losses) gains		(13,674)	29,153
Benefits paid by the plan		(49,687)	(75,507)
Defined benefit obligation as of 31 December	$	598,028	636,379

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, 2017 and 2016 were as follows:

		2017	2016
Fair value of plan assets as of January 1	$	462,360	321,576
Remeasurements of net defined benefit liability (asset)			
—Return on plan assets (excluding current interest expense)		4,306	3,072
Contributions made		6,696	213,219
Benefits paid by the plan		(49,687)	(75,507)
Fair value of plan assets as of December 31	$	423,675	462,360

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Current service cost	$	7,526	8,171
Net interest on the defined benefit liability (asset)		1,931	4,838
	$	9,457	13,009

		2017	2016
Operating costs	$	5,787	8,150
Operating expenses		3,670	4,859
	$	9,457	13,009

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:

		2017	2016
Balance of January 1	$	(180,884)	(117,260)
Recognized during the period		2,427	(63,624)
Balance of December 31	$	(178,457)	(180,884)

vi. Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	Dec. 31, 2017	Dec. 31, 2016
Discount rate	1.375%	1.125%
Future salary increases rate	1.500%	1.500%

The Group expects to make contributions of $4,667 thousand to the defined benefit plans in the next year starting from the reporting date of 2017.

The weighted average duration of the defined benefit plan is 11.76 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, 2017 and 2016, 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, 2017		
Discount rate	$ (13,240)	13,674
Future salary increase rate	13,232	(12,877)
December 31, 2016		
Discount rate	(14,826)	15,350
Future salary increase rate	14,840	(14,404)

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 $100,426 thousand and $102,997 thousand for the years 2017 and 2016, 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, 2017	Dec. 31, 2016
Compensated absence liabilities	$ 36,057	33,135

(p) Income tax

i) Income tax expenses

The amount of the Group's income tax for the years ended December 31, 2017 and 2016, were as follows:

	2017	2016
Current income tax expense		
Current period	$ 251,217	411,660
Adjustment for prior periods	11,857	5,164
	263,074	416,824
Deferred tax expense		
Origination and reversal of temporary differences	24,344	96,879
Income tax expenses on continuing operations	$ 287,418	513,703

Reconciliations of the Group's income tax expense (benefit) and the profit before tax for 2017 and 2016 were as follows:

	2017	2016
Income before tax	$ 1,137,135	1,607,310
Income tax calculated on pretax accounting income at statutory rate	$ 193,313	273,243
Effect of tax rates in foreign jurisdiction	80,799	128,176
Dividend income	(8,727)	(8,193)
Adjustment for prior periods	11,857	5,164
Domestic investment loss	21,022	18,452
Foreign investment income	(5,813)	72,664
R&D tax credits utilized	(6,163)	(14,913)
Withholding tax of revenue from overseas	34,551	58,922
Adjustment of tax rates	(61,765)	–
Others	28,344	(19,812)
Total	$ 287,418	513,703

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

Deferred tax assets:	Provision for retirement benefit	Allowance for inventory valuation	Loss carryforward	Others	Total
Balance at January 1, 2017	$ 19,704	45,655	135,889	120,469	321,717
Recognized in profit or loss	10,349	887	(69,627)	29,172	(29,219)
Balance at December 31, 2017	$ 30,053	46,542	66,262	149,641	292,498
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

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, 2017	$ 311,287	170,383	56,683	132,082	670,435
Recognized in profit or loss	13,367	(76,517)	–	58,275	(4,875)
Balance at December 31, 2017	$ 324,654	93,866	56,683	190,357	665,560
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

iii) Examination and approval

The tax returns of the Company have been examined by the tax authorities through 2015.

iv) Imputation tax information

The components of unappropriated earnings were as follows:

	Dec. 31, 2017	Dec. 31, 2016
Derived from year 1997 and prior years	(Note)	$ 1,637
Derived from year 1998 and thereafter	(Note)	1,707,699
		$ 1,709,336

	Dec. 31, 2017	Dec. 31, 2016
Balance of imputation credit account (ICA)	(Note)	$ 93,274

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 10.00% surtax on unappropriated earnings was also adjusted to half of the original amount.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(q) Capital and other equity

As of December 31, 2017 and 2016, 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, 2017	Dec. 31, 2016
Share premium	$ 849	849
Overaging unclaimed dividends	40,194	–
	$ 41,043	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 No.1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified $(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

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

The appropriations of 2016 and 2015 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 22, 2017, and June 24, 2016, respectively, were as follows:

Dividends distributed to common shareholders:	2016 Amount per share (NT dollars)	2016 Total amount	2015 Amount per share (NT dollars)	2015 Total amount
Cash	$ 1.00	825,710	1.06	875,253

iii) Other equities

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

(r) Earnings per share

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

i) Basic earnings per share

	2017	2016
Net income attributable to common shareholders of the Company	$ 874,107	988,352
Weighted-average number of common shares	825,710	825,710
Basic earnings per share (in NT dollars)	$ 1.06	1.20

ii) Diluted earnings per share

	2017	2016
Net income attributable to common shareholders of the Company (diluted)	$ 874,107	988,352
Weighted-average number of common shares (basic)	825,710	825,710
Impact of potential common shares Effect of employees' bonuses	1,603	1,272
Weighted-average number of shares outstanding (diluted)	827,313	826,982
Diluted earnings per share (in NT dollars)	$ 1.06	1.20

(s) Employees' compensation and directors' remuneration

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

For the years ended December 31, 2017 and 2016, the estimated amounts of employees' bonuses were $49,732 thousand and $35,219 thousand, respectively, and the estimated amounts of directors' remuneration were $9,558 thousand and $11,180 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2017 and 2016.

(t) Revenue

	2017	2016
Sale of goods	$ 31,745,601	26,912,948
Service income	20,636	42,142
	$ 31,766,237	26,955,090

(u) Other income and expenses

	2017	2016
Rental income	$ 76,870	74,568
Royalty income	101,540	75,302
Net service income	8,898	11,020
Depreciation of investment properties	(14,725)	(14,725)
Onerous contracts losses	–	(35,313)
Net other income	46,453	20,383
	$ 219,036	131,235

(v) Non-operating income and expenses

i) Other gains and losses

	2017	2016
Dividend income	$ 52,343	64,021
Foreign exchange gain (loss), net	25,793	(14,738)
Loss on disposal of property, plant and equipment, net	(8,997)	(10,795)
Gains on disposal of investments	154,458	–
Others	8,005	1,798
	$ 231,602	40,286

ii) Finance costs

	2017	2016
Interest expenses	$ 188,149	151,557

(w) Reclassification of components of other comprehensive income

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

	2017	2016
Effective portion of cash flow hedges:		
Net gains (losses) for current year	$ 44,784	(32,202)
Less: Adjustment of reclassification included in profit or loss	9,501	8,640
Net gains (losses) recognized in other comprehensive income	$ 35,283	(23,562)
Available-for-sale financial assets		
Net change in fair value for current period	$ (111,655)	(164,438)
Net change in fair value reclassified to profit or loss	−	−
Net changes in fair value recognized in other comprehensive income	$ (111,655)	(164,438)

(x) 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, 2017 and 2016, the maximum credit risk exposure amounted to $8,573,704 thousand, and $8,922,596 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, 2017						
Non-derivative financial liabilities						
Short-term borrowings	$ 6,403,311	5,941,195	462,116	−	−	−
Short-term commercial paper payable	349,975	349,975	−	−	−	−
Accounts payable (including related parties)	1,828,755	1,828,755	−	−	−	−
Other payable	882,853	882,853	−	−	−	−
Long-term borrowings (including current portion)	1,623,419	409,057	408,617	805,745	−	−
Provision for guarantee liabilities－non-current	2,709,687	526,562	662,625	526,562	−	993,938
Derivative financial liabilities						
Other forward contracts:						
Outflow	226	226	−	−	−	−
	$ 13,798,226	9,938,623	1,533,358	1,332,307	−	993,938
December 31, 2016						
Non-derivative financial liabilities						
Short-term borrowings	$ 5,883,220	5,397,964	485,256	−	−	−
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	−
Provision for guarantee liabilities－non-current	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

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

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 $9,639 thousand and $11,674 thousand for the years ended December 31, 2017 and 2016, 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 2017 and 2016, foreign exchange gain (loss) (including realized and unrealized) amounted to $25,793 thousand and $(14,738) 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 $79,652 thousand and $84,658 thousand for the years ended December 31, 2017 and 2016, 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, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic listed stocks	$ 235,024	235,024	–	–	235,024
Domestic (Oversea) unlisted stocks	885,097	–	885,097	–	885,097
Subtotal	1,120,121	235,024	885,097	–	1,120,121
Loans and receivables					
Cash and cash equivalents	3,560,440	–	–	–	–
Accounts and notes receivable	3,817,055	–	–	–	–
Other receivables	76,088	–	–	–	–
Subtotal	7,453,583	–	–	–	–
Total	$ 8,573,704	235,024	885,097	–	1,120,121
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 226	–	226	–	226
Financial liabilities measured at amortized cost					
Short-term borrowings	$ 6,365,254	–	–	–	–
Short-term notes and bills payable	349,975	–	–	–	–
Long-term borrowings (including current portion)	1,600,000	–	–	–	–
Accounts payables (including related parties)	1,828,755	–	–	–	–
Other payables	882,853	–	–	–	–
Total	$ 11,027,063	–	226	–	226

	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	–	–	–	–

ii. Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Group have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Group uses market comparison approach to evaluate the fair value. The main assumption is based on the investee' s earnings after tax and the listed (over the counter) company' s earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity. Forward Exchange Contracts are normally priced based on the exchange rates provided by the World Agencies.

(y) 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, 2017, and 2016.

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.

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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, 2017 and 2016, 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 exchang e 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.

(z) 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, 2017	Dec. 31, 2016
Total liabilities	$ 12,555,895	12,718,102
Total equity	16,443,446	17,051,825
Total assets	$ 28,999,341	29,769,927
Debts ratio	43%	43%

As of December 31, 2017, there were no material changes in the Group's debts ratio.

(7) Related-party Transactions

(a) Names and relationship with related parties

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

Name of related party	Relationship with the Group
Indian Synthetic Rubber Private Limited	The Group recognized associates under equity method
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	〃
Asia Pacific Energy Development Co., Ltd	〃
Taiwan Advanced Material Corp	The Group recognized joint venture under equity method
Nantong Qix Storage Co., Ltd	〃
Marubeni Corporation	Corporate investor of the consolidated entity
UBE (Shanghai) Ltd.	〃
Nantong Chemical & Light Industry Co., Ltd.	The ultimate controlling party of the investor, which recognized joint venture under equity method
Nantong Benny Petrochemicals Harbour Storage Co., Ltd.	The controlling party of the investor, which recognized joint venture under equity method

(b) Significant transactions with related parties

i) Operating revenue

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

	2017	2016
Associates	$ 6,724	20,597

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:

	2017	2016
Associates	$ 820	–
Others	569,766	223,104
	$ 570,586	223,104

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

iii) Service income and expenses

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

	2017	2016
Associates		
Indian Synthetic Rubber Private Limited	45,830	7,726
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	115,073	119,525
Associates		
Taiwan Advanced Material Corp	–	31,694
Others	1,512	–
Other related parties		
Others	(2,298)	(2,822)
	$ 160,117	156,123

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, 2017	Dec. 31, 2016
	Associates		
Other receivable	Indian Synthetic Rubber Private Limited	$ 32,707	10,072
Other receivable	Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	22,167	47,211
	Joint ventures		
Other receivable	Others	246	−
		$ 55,120	57,283

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, 2017	Dec. 31, 2016
Accounts payable	Other related parties	$ 35,663	2,535
Other payable	Other related parties	703	−
		$ 36,366	2,535

vi) Guarantees

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

	Dec. 31, 2017	Dec. 31, 2016
Associates		
Indian Synthetic Rubber Private Limited	$ 1,656,563	1,161,721
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	1,053,124	531,185
	$ 2,709,687	1,692,906

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

	Dec. 31, 2017	Dec. 31, 2016
Associates		
Indian Synthetic Rubber Private Limited	$ 26,350	22,151
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	649	807
	$ 26,999	22,958

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2017	2016
Short-term employee benefits	$ 108,228	103,812
Post-employment benefits	1,078	3,236
	$ 109,306	107,048

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	Dec. 31, 2017	Dec. 31, 2016
Restricted savings deposits (recorded as other non-current assets)	Guarantee for bank loans	$ −	3,700
Restricted savings deposits (recorded as other non-current assets)	Deposit for safety production	4,175	5,638
		$ 4,175	9,338

(9) Significant Commitments and Contingencies

(a) As of December 31, 2017 and 2016, the Group's unused letters of credit outstanding for purchases of materials were $1,653,768 thousand and $2,115,893 thousand, respectively.

(B) As of December 31, 2017 and 2016, the Group's signed construction and design contracts with several factories totaled $129,184 thousand and $78,378 thousand, respectively, of which $101,616 thousand and $43,013 thousand, respectively, were paid.

(10) Significant Losses from Calamity: None.

(11) Significant Subsequent Events

According to the amendments to the "Income Tax Act" enacted by the of fice of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group' s current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $13,376 and $65,147, respectively.

(12) Others

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

Function / Category	2017			2016		
	Costing	Expensed	Sum	Costing	Expensed	Sum
Employee benefits						
Salary	879,970	609,067	1,489,037	885,631	583,098	1,468,729
Labor and health insurance	79,502	55,692	135,194	76,615	53,363	129,978
Pension	72,702	37,181	109,883	77,051	38,955	116,006
Others (note 1)	139,389	104,019	243,408	135,410	100,650	236,060
Depreciation (Note 2)	728,048	125,997	854,045	763,303	136,717	900,020
Amortization	6,793	142,211	149,004	7,642	162,728	170,370

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 2017 and 2016 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

Unit: thousand NTD

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers (Note 5)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	68,682	68,682	68,682	3.915%	2	–	Operating capital	–	–	–	186,608 (Note 1)	373,215 (Note 2)

Note 1: The loan limit extended per party of TSRC (Shanghai) Industries Ltd. should not be over 10% of total equity. However, if the counterparty is a subsidiary 100% owned, directly or indirectly by TSRC, the loan limit extended per party should not be over 50% of the total equity of the most recent financial statements audited or reviewed by a CPA.

Note 2: The maximum loan extended to all parties of TSRC (Shanghai) Industries Ltd. should not be over 40% of total equity. However, if the counterparty is a subsidiary 100.00% owned, directly or indirectly by TSRC, the total loan limit should not be over 100% of total equity of the most recent financial statements audited or reviewed by a CPA .

Note 3: TSRC (Shanghai) Industries Ltd., and TSRC (Nantong) Industries Ltd. are 100.00% owned by TSRC.

Note 4: Credit period: The financing period should not be over one year.

Note 5: Nature of financing activities is as follows:

(1)if there are transactions between these two parties, the number is "1".

(2)if it is necessary to loan to other parties, the number is "2".

Note 6: Transactions within the Group were eliminated in the consolidated financial statements.

ii) Guarantees and endorsements for other parties:

Unit: thousand dollars

No.	Name of company	Counter-party of guarantee and endorsement		Limitation on amount of guarantees and endorsements for one party	Highest balance for guarantees and endorsements during the 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)	955,136	–	–	–	– %	(Note 3)	Y		
0	TSRC Corp.	Arlanxeo TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,579,686	1,053,124	471,937	–	7.08%	(Note 3)			Y
0	TSRC Corp.	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,656,563	1,656,563	851,563	–	11.13%	(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 $22,316,274 thousand.

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

iii) Securities held as of December 31, 2017
(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 2017	Remarks
				Number of shares	Book value	Holding percentage	Market value		
TSRC Corp.	Taiwan High Speed Rail Corporation	–	Available-for-sale financial assets – non-current	10,001,000	235,024	0.18%	235,024	200,000	
TSRC Corp.	Evergreen Steel Corporation	–	Available-for-sale financial assets – non-current	12,148,000	302,971	3.00%	302,971	209,878	
TSRC Corp.	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	599,999	131,640	5.42%	131,640	65,143	
TSRC Corp.	Hsin-Yung Enterprise Corporation	–	Available-for-sale financial assets – non-current	5,657,000	266,727	3.90%	266,727	64,296	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	837,552	183,759	7.57%	183,759	56,985	
TSRC Biotech Ltd.	Pulse Metric Inc.	–	Available-for-sale financial assets – non-current	312,500	–	6.23%	(Note 1)		
					1,120,121		1,120,121	596,302	

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	110,858	4.15%	70 days	—	—	(11,895)	(2.86)%	
TSRC	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(110,858)	(0.98)%	70 days	—	—	11.,895	1.11%	
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	156,464	1.99%	14 days	—	—	(22,252)	(5.12)%	
TSRC-UBE (Nantong) Industries Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd. Related parties	Purchase	413,302	13.94%	14 days	—	—	(13,327)	(4.72)%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	495,567	68.58%	40 days	—	—	(49,972)	(72.90)%	
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd.	Related parties	Sale	(495,567)	(10.33)%	40 days	—	—	42,972	6.48%	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industries Co., Ltd.	Related parties	Purchase	151,828	21.01%	40 days	—	—	(4,981)	(8.45)%	
Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(151,828)	(1.80)%	40 days	—	—	4,981	0.36%	
TSRC-UBE (Nantong) Industries Ltd.	Shen Hua Chemical Industries Co., Ltd.	Related parties	Purchase	273,648	9.23%	90 days	—	—	—	- %	
Shen Hua Chemical Industries Co., Ltd.	TSRC-UBE (Nantong) Industries Ltd.	Related parties	Sale	(273,648)	(3.25)%	90 days	—	—			

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.	Dexco Polymers L.P.	Related parties	Purchase	1,020,717	38.23%	90 days	—	—	(145,801)	(35.07)%	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,020,717)	(25.25)%	90 days	—	—	145,801	38.68%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	1,527,877	57.23%	70 days	—	—	(258,659)	(62.22)%	
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,527,877)	(31.85)%	70 days	—	—	258,659	39.02%	
Dexco Polymers L.P.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	228,139	9.00%	70 days	—	—	(46,883)	(14.56)%	
TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	Related parties	Sale	(228,139)	(4.76)%	70 days	—	—	46,883	7.07%	

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	258,659	6.06	—	—	159,187	—
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	145,801	8.35	—	—	145,801	—

Note 1: Transactions within the Group were eliminated in the consolidated financial statements.
Note 2: Until March 15, 2018.

ix) Trading in derivative instruments:
Please refer to notes 6(b).

x) Business relationships and significant intercompany transactions:

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	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	87,393	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.28%
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Other income and expenses	50,476	〃	0.16%
0	TSRC Corp.	TSRC (Lux.) Corporation S.' a. r. l.	1	Sales revenue	110,852	〃	0.35%
0	TSRC Corp.	Polybus Corporation Pte Ltd.	1	Sales revenue	61,324	〃	0.19%
0	TSRC Corp.	TSRC (Nantong) Industries Ltd	1	Other income and expenses	34,846	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	71,515	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	495,567	〃	1.56%
1	TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd.	3	Accounts receivable	42,972	〃	0.15%
1	TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	1,527,877	〃	4.81%
1	TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	258,659	〃	0.89%
1	TSRC (Nantong) Industries Ltd	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	201,691	〃	0.63%
1	TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	3	Sales revenue	228,139	〃	0.72%
1	TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	3	Accounts receivable	46,883	〃	0.16%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Sales revenue	1,020,717	The transaction is not significantly different from normal transactions, and the collection terms were about three months	3.21%
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.' a. r. l.	3	Accounts receivable	145,801	〃	0.50%
3	Shen Hua Chemical Industries Co., Ltd	Polybus Corporation Pte Ltd.	3	Sales revenue	151,828	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.48%
3	Shen Hua Chemical Industries Co., Ltd	TSRC-UBE (Nantong) Industries Ltd.	3	Sales revenue	273,648	The transaction is not significantly different from normal transactions, and the collection terms were about three months	0.86%
4	TSRC (Lux.) Corporation S.' a. r. l.	TSRC Corp.	2	Other income and expenses	49,904	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.16%
5	TSRC-UBE (Nantong) Industries Ltd.	TSRC Corp.	2	Sales revenue	76,163	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	47,304	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.15%
6	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd	3	Entrusted loans	68,682	One year based on the contract of entrusted loans	0.24%
0	TSRC Corp.	TSRC (USA) Investment Corporation	1	Note 4	955,136	–	–

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 2017 (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, 2017	Dec. 31, 2016	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%	12,270,839	1,005,945	877,248	880,077	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%	782,231	109,442	30,404	30,404	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%	157,065	38,376	32,290	6,290	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%	247,562	720,000	(589,816)	(283,112)	–
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd.	100 Peck Seah Street #09-16 Singapore 079333	International commerce and investment corporation	1,943,135 (USD 65,101)	1,943,135 (USD 65,101)	105,830,000	100.00%	7,474,473	1,943,135	619,206	619,206	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited.	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation	2,323,667 (USD 77,850)	2,323,667 (USD 77,850)	77,850,000	100.00%	3,059,241	2,323,667	191,352	191,352	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	837,087 (USD 28,045)	837,087 (USD 21,200)	151,705,125	34.04%	205,093	837,087	263,190	89,590	–
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	1,812,254 (EUR 50,800)	1,812,254 (EUR 50,800)	50,800,000	100.00%	2,568,297	1,812,254	136,842	136,842	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	2,090,852 (USD 70,050)	2,090,852 (USD 70,050)	100	100.00%	2,499,830	2,090,852	117,340	117,340	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	5,749,232 (USD 192,617)	5,749,232 (USD 192,617)	–	100.00%	1,437,288	5,749,32	298,460	298,460	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, 2017	Dec. 31, 2016	Shares	Percentage of ownership	Book value				
Hardison International Corporation	Triton International Holdings Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	1,492 (USD50)	1,492 (USD50)	50,000	100.00%	109,002	1,492	4,757	4,757	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O.BOX 438, Road Town, Tortola B.V.I	Investment corporation	143,241 (USD 4,799)	143,241 (USD 4,799)	4,798,566	80.52%	670,537	143,241	32,290	26,000	Indirectly owned subsidiary
Hardison International Corporation	TSRC Biotech Ltd.	4th F1., Harbour Centre, P.O.BOX613, George Town, Grand Cayman	Investment corporation	90,141 (USD 3,020)	90,141 (USD 3,020)	3,020,210	100.00%	5	90,141	–	–	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd	Cayman Islands	Consulting for electric power facilities management and electrical system design	336,835 (USD 11,285)	336,835 (USD 11,285)	7,522,337	37.78%	419,121	336,835	76,553	28,922	–

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD29.848; EUR1 to NTD35.6743).
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 2017	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	1,230,335 (USD 41,220)	(2)a.	–	–	–	–	(21,140)	65.44%	805,131	(13,834) (Note 2)	1,776,899	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd	Power generation and sale of electricity and steam	689,489 (USD 23,100)	(2)c.	114,378 (USD3,832)	–	–	114,378 (USD3,832)	178,364	28.34%	195,401	50,548 (Note 2)	319,842	–
TSRC (Shanghai) Industries Ltd	Production and sale of compounding materials	164,164 (USD 5,500)	(2)b.	117,004 (USD3,920)	–	–	117,004 (USD3,920)	64,899	100.00%	164,164	64,899 (Note 2)	373,215	–
Nantong Qix Storage Co., Ltd	Storehouse for chemicals	89,544 (USD 3,000)	(2)d.	44,772 (USD1,500)	–	–	44,772 (USD1,500)	8,793	50.00%	44,772	4,397 (Note 2)	70,821	–
TSRC -UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	1,193,920 (USD 40,000)	(2)a.	29,848 (USD1,000)	–	–	29,848 (USD1,000)	(42,887)	55.00%	656,656	(23,588) (Note 2)	777,725	–

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 2017	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	2,314,384 (USD 77,539)	(2)a.	198,430 (USD6,648)	–	–	198,430 (USD6,648)	654,067	100.00%	2,314,384	654,067 (Note 2)	3,912,074	–
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd. (Note 6)	Production and sale of NBR	1,337,190 (USD 44,800)	(2)a.	–	–	–	–	4,943	50.00%	668,595	2,471 (Note 3)	181,347	–

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 NTD29.848).

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

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.	504,432(USD16,900)	4,768,188(USD159,749)(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 NTD29.848).

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:

	2017				
	Synthetic rubber department	Non-synthetic rubber department	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	$ 30,913,807	831,794	20,636	–	31,766,237
Interest revenue	42,302	2,729	6,091	–	51,122
Total revenue	$ 30,956,109	834,523	26,727	–	31,817,359
Interest expenses	$ 186,803	2,454	–	(1,108)	188,149
Depreciation and amortization	$ 951,413	40,478	34,066	(8,183)	1,017,774
Share of profit of equity-accounted investees (associates and jointly controlled entities)	$ 727,642	–	31,085	(918,693)	(159,966)
Reportable segment profit or loss	$ 938,391	7,590	166,096	25,058	1,137,135
Reportable segment assets (note)	$ –	–	–	–	–

	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)	$ –	–	–	–	–

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	2017	2016
Revenue from external customers:		
China	$ 14,660,428	12,771,400
United States	3,737,572	3,425,307
Taiwan	3,624,916	2,530,416
Thailand	2,071,247	1,329,694
Japan	694,139	941,977
Other countries	6,977,935	5,956,296
Total	$ 31,766,237	26,955,090

Geographical information	106.12.31	105.12.31
Non-current assets:		
China	$ 5,874,971	6,677,814
Taiwan	4,719,125	4,903,201
United States	2,408,113	2,338,464
Other countries	670,886	609,275
Total	$ 13,673,095	14,528,754

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 2017 and 2016, 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, 2017 and 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the years ended December 31, 2017 and 2016, 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, 2017 and 2016, and its financial performance and its cash flows for the years ended December 31, 2017 and 2016 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, 2017. 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(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 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(e) 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 15, 2018

TSRC CORPORATION

Balance Sheets

December 31, 2017 and 2016

(expressed in thousands of New Taiwan dollar)

Assets	Dec.31, 2017 Amount	%	Dec.31, 2016 Amount	%
Current assets:				
Cash and cash equivalents (note 6(a))	$ 231,989	1	211,759	1
Notes receivable, net (note 6(d))	348	−	1,305	−
Accounts receivable, net (note 6(d))	1,030,480	5	1,314,961	6
Accounts receivable−related-parties (notes 6(d) and 7)	39,864	−	56,205	−
Other receivable (notes 6(d) and 7)	140,819	1	141,662	1
Current income tax assets	114	−	54,259	−
Inventories (note 6(e))	2,171,015	10	2,020,965	9
Other current assets	94,933	−	84,552	−
Total current assets	3,709,562	17	3,885,668	17
Non-current assets:				
Available-for-sale financial assets−non-current (note 6(c))	936,362	4	1,116,683	5
Investments accounted for under equity method (notes 6(f) and 7)	13,457,697	60	13,286,327	58
Property, plant and equipment (notes 6(g), 6(h) and 9)	2,760,238	12	2,699,834	12
Investment property (note 6(h))	1,611,050	7	1,625,775	8
Intangible assets (note 6(i))	86,312	−	37,972	−
Deferred income tax assets (note 6(n))	85,326	−	87,321	−
Other non-current assets	13,966	−	8,946	−
Total non-current assets	18,950,951	83	18,862,858	83
Total assets	$ 22,660,513	100	22,748,526	100

TSRC CORPORATION

Balance Sheets

December 31, 2017 and 2016

(expressed in thousands of New Taiwan dollar)

Liabilities and Equity	Dec.31, 2017 Amount	%	Dec.31, 2016 Amount	%
Current liabilities:				
Short-term borrowings (note 6(j))	$ 3,809,306	17	3,065,704	13
Current portion of long-term borrowings (note 6(j))	800,000	3	400,000	2
Short-term commercial paper payable (note 6(j))	349,975	2	-	-
Financial liabilities at fair value through profit or loss - current (note 6(b))	226	-	-	-
Accounts payable	719,356	3	1,121,285	5
Other payable (notes 6(k), 6(q) and 7)	584,292	3	510,960	2
Current income tax liabilities	5,797	-	-	-
Other current liabilities (notes 6(j) and 6(l))	35,438	-	43,179	-
Total current liabilities	6,304,390	28	5,141,128	22
Non-Current liabilities:				
Long-term borrowings (note 6(j))	800,000	4	1,600,000	7
Provision liabilities - non current (note 7)	26,999	-	22,958	-
Deferred income tax liabilities (note 6(n))	425,853	2	411,205	2
Other non-current liabilities (notes 6(j) and 6(m))	225,755	1	232,014	1
Total non-current liabilities	1,478,607	7	2,266,177	10
Total liabilities	7,782,997	35	7,407,305	32
Equity attributable to shareholders of the company (notes 6(n), 6(o) and 6(u):				
Common stock	8,257,099	36	8,257,099	36
Capital surplus	41,043	-	849	-
Retained earnings:				
Legal reserve	3,770,512	17	3,671,676	16
Unappropriated earnings	1,661,324	7	1,709,336	8
	5,431,836	24	5,381,012	24
Other equity:				
Financial statements translation differences for foreign operations	512,008	2	990,359	5
Unrealized gain on valuation of available-for-sale financial assets	623,809	3	735,464	3
Loss on effective portion of cash flow hedges	11,721	-	(23,562)	-
Total equity	1,147,538	5	1,702,261	8
	14,877,516	65	15,341,221	68
Total liabilities and equity	$ 22,660,513	100	22,748,526	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, 2017 and 2016

(expressed in thousands of New Taiwan dollars)

	2017		2016	
	Amount	**%**	**Amount**	**%**
Revenue (notes 6(r) and 7)	$ 11,254,655	100	8,831,537	100
Operating costs (notes 6(e), 6(g), 6(i), 6(k), 6(l), 6(m), 6(q) and 7)	10,359,649	92	7,960,783	90
Gross profit from operations	895,006	8	870,754	10
Less:Unrealized gain (loss) on affiliated transactions	(1,992)	-	911	-
Gross profit	896,998	8	869,843	10
Operating expenses (notes 6(g), 6(i), 6(l), 6(m), 6(q) and 7):				
Selling expenses	355,972	3	321,552	4
General and administrative expenses	454,706	4	418,162	5
Research and development expenses	239,232	2	213,048	2
Total operating expenses	1,049,910	9	952,762	11
Other income and expenses, net (notes 6(h), 6(i), 6(l), 6(m), 6(s) and 7)	259,119	2	226,139	3
Operating profit	106,207	1	143,220	2
Non-operating income and expenses (notes 6(c), 6(f) and 6(t)):				
Interest income	5,601	-	16,273	-
Other gains and losses	222,718	2	56,577	1
Finance costs	(71,568)	(1)	(57,909)	-
Share of profit from the subsidiaries, the associates and the joint ventures	633,589	6	913,405	10
Total non-operating income and expenses	790,340	7	928,346	11
Net income before tax	896,547	8	1,071,566	13
Less: Tax expense (note 6(n))	22,440	-	83,214	1
Net income	874,107	8	988,352	12
Other comprehensive income (loss):				
Components of other comprehensive income that will not be reclassified to profit or loss				
Gains (losses) on remeasurements of defined benefit plans	2,427	-	(63,624)	(1)
Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	2,427	-	(63,624)	(1)
Items that may be reclassified subsequently to profit or loss				
Financial statements translation differences for foreign operations	(478,351)	(4)	(682,460)	(8)
Unrealized gains (losses) on valuation of available-for-sale financial assets	(80,331)	(1)	(32,854)	-
Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	3,959	-	(155,146)	(2)
Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-
Components of other comprehensive income that will be reclassified to profit or loss	(554,723)	(5)	(870,460)	(10)
Other comprehensive income (loss), net of tax	(552,296)	(5)	(934,084)	(11)
Total comprehensive income	$ 321,811	3	54,268	1
Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(p))	$ 1.06		1.20	

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, 2017 and 2016
(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, 2016	$ 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
Appropriations and distributions:										
Legal reserve	–	–	98,836	(98,836)	–	–	–	–	–	–
Cash dividends	–	–	–	(825,710)	(825,710)	–	–	–	–	(825,710)
Other changes in capital surplus	–	40,194	–	–	–	–	–	–	–	40,194
Net income	–	–	–	874,107	874,107	–	–	–	–	874,107
Other comprehensive income (loss)	–	–	–	2,427	2,427	(478,351)	(111,655)	35,283	(554,723)	(552,296)
Total comprehensive income (loss)	–	–	–	876,534	876,534	(478,351)	(111,655)	35,283	(554,723)	321,811
Balance at December 31, 2017	$ 8,257,099	41,043	3,770,512	1,661,324	5,431,836	512,008	623,809	11,721	1,147,538	14,877,516

Note: For the years 2017 and 2016 the estimated amount of directors' remuneration were $9,558 thousand and $11,180 thousand, respectively, and the estimated amounts of employees' bonuses were amounting to $49,732 thousand and $35,219 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, 2017 and 2016

(expressed in thousands of New Taiwan dollars)

		2017	2016
Cash flows from operating activities:			
Net income before tax	$	896,547	1,071,566
Adjustments:			
Adjustments to reconcile profit and loss:			
Depreciation		272,809	270,930
Amortization		21,973	20,830
Interest expense		71,568	57,909
Interest income		(5,601)	(16,273)
Dividend income		(51,779)	(55,133)
Share of profit of subsidiaries, associates and joint ventures accounted for under equity method		(633,589)	(913,405)
Loss on disposal of property, plan and equipment		373	–
Gain on disposal of investments		(154,458)	–
Unrealized profit (loss) on affiliated transactions		(1,992)	911
Unearned revenue from technology provided to investee		(6,140)	(19,147)
Total adjustments to reconcile profit and loss		(486,836)	(653,378)
Changes in operating assets and liabilities:			
Net changes in operating assets:			
Notes receivable		957	(655)
Accounts receivable		284,481	(331,479)
Accounts receivable - related parties		16,341	15,196
Other receivable		185	113,498
Inventories		(150,050)	(326,519)
Other current assets		(10,381)	(11,115)
Total changes in operating assets, net		141,533	(541,074)
Net changes in operating liabilities:			
Financial liabilities at fair value through profit or loss		226	–
Accounts payable		(401,929)	564,050
Other payable		29,085	(16,614)
Other current liabilities		(7,741)	(11,154)
Net defined benefit liabilities		2,761	(200,210)
Other operating liabilities		(84)	(31,692)
Total changes in operating liabilities, net		(377,682)	304,380
Total changes in operating assets and liabilities, net		(236,149)	(236,694)
Total adjustments		(722,985)	(890,072)
Cash provided by operating activities		173,562	181,494
Interest income received		6,259	11,338
Interest paid		(71,181)	(56,377)
Income taxes refund (paid)		54,145	(18,173)
Net cash provided by operating activities		162,785	118,282

TSRC CORPORATION

Statements of Cash Flows-continued

For the years ended December 31, 2017 and 2016

(expressed in thousands of New Taiwan dollars)

	2017	2016
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	254,448	−
Acquisition of property, plant and equipment	(346,599)	(300,706)
Increase in other non-current assets	(5,020)	(3,247)
Dividends received	51,779	55,133
Net cash used in investing activities	(45,392)	(248,820)
Cash flows from financing activities:		
Increase in short-term borrowings	23,587,030	11,394,816
Decrease in short-term borrowings	(22,843,428)	(10,269,501)
Increase in short-term commercial paper payable	3,742,751	1,518,221
Decrease in short-term commercial paper payable	(3,392,776)	(1,818,136)
Repayments of long-term borrowings	(400,000)	−
Decrease in finance lease liabilities	(6,509)	(6,435)
Cash dividends paid	(824,425)	(874,806)
Overaging unclaimed dividends	40,194	−
Net cash used in financing activities	(97,163)	(55,841)
Net increase (decrease) in cash and cash equivalents	20,230	(186,379)
Cash and cash equivalents at beginning of period	211,759	398,138
Cash and cash equivalents at end of period	$ 231,989	211,759

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, 2017 and 2016
(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 15, 2018.

(3) New Standards and Interpretations

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017:

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 " Presentation of Financial Statements-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 " Impairment of Non-Financial assets-Recoverable Amount Disclosures for Non Financial Assets"	January 1, 2014
Amendments to IAS 39 " Financial Instruments-Novation of Derivatives and Continuation of Hedge Accounting"	January 1, 2014
Annual Improvements to IFRSs 2010-2012 Cycle and 2011-2013 Cycle	July 1, 2014
Annual Improvements to IFRSs 2012-2014 Cycle	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) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2018 in accordance with Ruling No. 1060025773 issued by the FSC on July 14, 2017. In addition, based on the announcement issued by the FSC on December 12, 2017, the Company can, and therefore, elected to early adopt the amendments to IFRS 9 "Prepayment features with negative compensation":

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendment to IFRS 2 "Clarifications of Classification and Measurement of Share-based Payment Transactions"	January 1, 2018
Amendments to IFRS 4 "Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts"	January 1, 2018
IFRS 9 "Financial Instruments"	January 1, 2018
IFRS 15 "Revenue from Contracts with Customers"	January 1, 2018
Amendment to IAS 7 "Statement of Cash Flows -Disclosure Initiative"	January 1, 2017
Amendment to IAS 12 "Income Taxes- Recognition of Deferred Tax Assets for Unrealized Losses"	January 1, 2017
Amendments to IAS 40 "Transfers of Investment Property"	January 1, 2018
Annual Improvements to IFRS Standards 20142016 Cycle:	
Amendments to IFRS 12	January 1, 2017
Amendments to IFRS 1 and Amendments to IAS 28	January 1, 2018
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

(i) IFRS 9 "Financial Instruments"

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

1) Classification-Financial assets

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial assets in the scope of the standard are never bifurcated. Instead, the hybrid financial instrument as a whole is assessed for classification.

Based on its assessment, the Company does not believe that the new classification requirements will have a material impact on its accounting for trade receivables and investments in equity securities that are managed on a fair value basis. At December 31, 2017, the Company had equity investments classified as available-for-sale with a fair value of 936,362 thousand that are held for long-term strategic purposes. At initial application of IFRS 9, the Company has designated these investments as measured at FVOCI. Consequently, all fair value gains and losses will be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses will be reclassified to profit or loss on disposal. The Company estimated the application of IFRS 9’ s classification requirements on January 1, 2018 resulting in a decrease of $29,848 thousand in the reserves, as well as the increase of $29,848 thousand in retained earnings.

2) Impairment-Financial assets and contact assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgment as to how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at amortized cost or FVOCI, except for investments in equity instruments, and to contract assets.11

Under IFRS 9, loss allowances will be measured on either of the following bases:

· 12-month ECLs. These are ECLs that result from possible default events within the 12 months after the reporting date; and

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

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, lifetime ECL measurement always applies for trade receivables and contract assets without a significant financing component; an entity may choose to apply this policy also for trade receivables and contract assets with a significant financing component.

The Company believes that impairment losses are likely to increase and become more volatile for assets in the scope of the IFRS 9 impairment model. The Company estimated the application of IFRS 9's impairment requirements on January 1, 2018 would not generate a material impact on assets, liabilities and equity.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Company's assessment included an analysis to identify data gaps against current processes and the Company plans to implement the system and controls changes that it believes will be necessary to capture the required data.

4) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 will generally be applied retrospectively, except as described below.

· The Company will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment) changes. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 generally will be recognized in retained earnings and reserves as at January 1, 2018.

· The following assessments have to be made on the basis of the facts and circumstances that exist at the date of initial application.

The determination of the business model within which a financial asset is held.

The designation of certain investments in equity instruments not held for trading as at FVOCI.12

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 "Revenue" and IAS 11 "Construction Contracts".

1) Sales of goods

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

2) Transition

The Company plans to adopt IFRS 15 using the cumulative effect method. Therefore, the comparative information will not be restated. The cumulative effect of initially applying IFRS 15 will be recognized as an adjustment to the opening balance of retained earnings at 1 January 2018. The Company plans to use the practical expedient in paragraph C5(a) of IFRS 15, under which, for contracts that are completed at the date of the initial application (i.e. 1 January 2018) will not be restated.

The Company's preliminary assessment indicated that the application of IFRS 15 Revenue from Contracts with Customers would not have material impact on financial statements.

(iii) Amendments to IAS 7 "Disclosure Initiative"

The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. To satisfy the new disclosure requirements, the Company intends to present a reconciliation between the opening and closing balances for liabilities with changes arising from financing activities.

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

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

As of the date the following IFRSs that have been issued by the IASB, but not yet endorsed by the FSC:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 16 "Leases"	January 1, 2019
IFRS 17 "Insurance Contracts"	January 1, 2021
IFRIC 23 "Uncertainty over Income Tax Treatments"	January 1, 2019
Amendments to IFRS 9 "Prepayment features with negative compensation"	January 1, 2019
Amendments to IAS 28 "Long-term interests in associates and joint ventures"	January 1, 2019
Annual Improvements to IFRS Standards 20152017 Cycle	January 1, 2019
Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	January 1, 2019

Those which may be relevant to the Company are set out below:

Issuance / Release Dates	Standards or Interpretations	Content of amendment
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.
June 7, 2017	IFRIC 23 "Uncertainty over Income Tax Treatments"	• In assessing whether and how an uncertain tax treatment affects the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, an entity shall assume that a taxation authority will examine the amounts it has the right to examine and have a full knowledge on all related information when making those examinations. • If an entity concludes that it is probable that the taxation authority will accept an uncertain tax treatment, the entity shall determine the taxable profit (tax loss), tax bases, unused tax losses, unused tax credits or tax rates consistently with the tax treatment used or planned to be used in its income tax filings. Otherwise, an entity shall reflect the effect of uncertainty for each uncertain tax treatment by using either the most likely amount or the expected value, depending on which method the entity expects to better predict the resolution of the uncertainty.

Issuance / Release Dates	Standards or Interpretations	Content of amendment
October 12, 2017	Amendments to IAS 28 "Long-term interests in associates and joint ventures"	The amendment to IAS 28, which addresses equity-accounted loss absorption by long-term interests, will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). It also involves the dual application of IAS 28 and IFRS 9 Financial Instruments.
February 7, 2018	Amendments to IAS 19 "Plan Amendment, Curtailment or Settlement"	The amendments clarify that: • on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the remainder of the reporting period after the change to the plan; and • the effect of the asset ceiling is disregarded when calculating past service cost and the gain or loss on settlement. Any change in that effect is recognised in other comprehensive income.

The Company is evaluating the impact on its financial position and financial performance upon the initial adoption of the abovementioned standards or interpretations. The results thereof will be disclosed when the Company completes its evaluation.

(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.

iii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognized initially at fair value, and attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss and are included in statement of comprehensive income. When the fair value of a derivative instrument is positive, it is classified as a financial asset, and when the fair value is negative, it is classified as a financial liability.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction. Fair value generally refers to the quoted market price in active markets. In case there’s no quoted market price, the fair value is supposed to be estimated by evaluation method. Most derivative financial instruments of the Company use the quoted market price provided by financial institutions as a reference.

(g) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from 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 equipment3~8 years
v. Leased assets 3~8 years

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

(l) Investment property

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

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

(m) Leases

i) Lessor

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

ii) Lessee

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

Other leases are operating leases and are not recognized in the Company's statement of financial position.

Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(n) Intangible assets

Intangible assets comprise computer software and industrial technology and are measured at cost less accumulated amortization and accumulated impairment losses.

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

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

Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are as follows:

i) Computer 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, 2017	Dec. 31, 2016
Checking and savings deposits	$ 231,989	211,759

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

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

Financial liabilities held for trading:	Dec. 31, 2017	Dec. 31, 2016
Derivative instruments not used for hedging	$ 226	–

The Company uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. As of December 31, 2017 the Company reported the following derivatives financial instruments as held-for-trading financial liabilities without the application of hedge accounting.

December 31, 2017	Liabilities fair value	Currency	Contract amount
Liabilities:			
Forward contracts	$ 174	EUR/TWD	650
Forward contracts	52	EUR/USD	200

As of December 31, 2017, these financial instruments had maturity periods from January 18, 2018 to March 21, 2018.

(c) Available-for-sale financial assets—non-current

	Dec. 31, 2017	Dec. 31, 2016
Listed stocks (domestic)	$ 235,024	368,000
Unlisted stocks (domestic or overseas)	701,338	748,683
Total	$ 936,362	1,116,683

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

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

	2017		2016	
Fluctuation in market price at reporting date	Other comprehensive income (after tax)	Net income	Other comprehensive income (after tax)	Net income
Increase 10%	$ 93,636	–	111,668	–
Decrease 10%	$ (93,636)	–	(111,668)	–

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

	Foreign currency amount	Exchange rate	NTD
Dec. 31, 2017 THB	$ 143,461	0.9176	131,640
Dec. 31, 2016 THB	173,927	0.9050	157,404

As of December 31, 2017 and 2016, the Company did not pledge any collateral on available-for-sale financial instruments.

(d) Notes and accounts receivable (including related parties) and other receivable (including related parties)

	Dec. 31, 2017	Dec. 31, 2016
Notes receivable	$ 348	1,305
Accounts receivable	1,030,480	1,314,961
Accounts receivable－related parties	39,864	56,205
Other receivable	16,551	54,582
Other receivable－related parties	124,268	87,080
	$ 1,211,511	1,514,133

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, 2017	Dec. 31, 2016
Past due 0~30 days	$ 6,234	20

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.

(e) Inventories
The components of the Company's inventories were as follows:

	Dec. 31, 2017	Dec. 31, 2016
Raw materials	$ 623,207	746,377
Supplies	14,797	19,594
Work in progress	140,968	144,339
Finished goods	1,385,523	1,097,381
Merchandise	6,520	13,274
Total	$ 2,171,015	2,020,965

As of December 31, 2017 and 2016, 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:

	2017	2016
Loss on (reversal of) decline in market value of inventory	$ 50,509	(50,144)
Income from sale of scrap	(29,629)	(25,242)
Loss on idle capacity	31,830	38,749
Total	$ 52,710	(36,637)

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.

(f) 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	$ 13,210,135	12,755,653
Joint ventures	247,562	530,674
	$ 13,457,697	13,286,327

i) Subsidiaries

One of the subsidiaries was involved with cash injection of the investee. Since the purchase of stock was not acquired proportionately, which had resulted in a change in investment percentage, the Company debited retained earnings amounting to $82,479 thousand. Please refer to the 2017 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, 2017	Dec. 31, 2016
Balance of not significant joint venture's equity	$ 247,562	530.674

	2017	2016
Attributable to the Company:		
Income from continued operation	$ (283,112)	(108.539)
Other comprehensive income	–	–
Total comprehensive income	$ (283,112)	(108.539)

The dissolution case of Taiwan Advance Material Corp. was approved by the interim meeting of shareholders and Ministry of Economic Affairs in October 2017.

iii) Collateral

As of December 31, 2017 and 2016, the Company did not pledge any collateral on investments accounted for under the equity method.

(g) 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, 2017	$ 614,101	82,096	1,160,008	8,568,082	59,888	94,596	217,962	10,796,733
Additions	–	–	–	–	–	–	389,174	389,174
Disposals	–	–	(1,775)	(97,444)	(45)	–	–	(99,264)
Reclassification	–	1,460	41,743	142,198	27,208	–	(282,922)	(70,313)
Balance at December 31, 2017	$ 614,101	83,556	1,199,976	8,612,836	87,051	94,596	324,214	11,016,330
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

		Land	Land improvements	Buildings	Machinery	Furniture and fixtures	Leased assets	Prepayments for equipment and construction in progress	Total
Depreciation and impairment loss:									
Balance at January 1, 2017	$	–	60,458	812,358	7,173,493	50,590	–	–	8,096,899
Depreciation		–	2,484	29,021	221,412	5,167	–	–	258,084
Disposal		–	–	(1,619)	(97,227)	(45)	–	–	(98,891)
Balance at December 31, 2017	$	–	62,942	839,760	7,297,678	55,712	–	–	8,256,092
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
Carrying value:									
December 31, 2017	$	614,101	20,614	360,216	1,315,158	31,339	94,596	324,214	2,760,238
December 31, 2016	$	614,101	21,638	347,650	1,394,589	9,298	94,596	217,962	2,699,834
January 1, 2016	$	614,101	23,467	367,494	1,427,874	6,090	94,596	152,557	2,686,179

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

(h) Investment property

		Land	Buildings	Total
Cost:				
Balance as at January 1, 2017	$	1,073,579	741,889	1,815,468
Additions		–	–	–
Balance as at December 31, 2017	$	1,073,579	741,889	1,815,468
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
Depreciation:				
Balance as at January 1, 2017	$	–	189,693	189,693
Depreciation		–	14,725	14,725
Balance as at December 31, 2017	$	–	204,418	204,418
Balance as at January 1, 2015	$	–	174,968	174,968
Depreciation		–	14,725	14,725
Balance as at December 31, 2016	$	–	189,693	189,693
Carrying value:				
Balance as at December 31, 2017	$	1,073,579	537,471	1,611,050
Balance as at December 31, 2016	$	1,073,579	552,196	1,625,775
Balance as at January 1, 2016	$	1,073,579	566,921	1,640,500
Fair value:				
Balance as at December 31, 2017				$ 3,334,675
Balance as at December 31, 2016				$ 3,148,146
Balance as at January 1, 2016				$ 3,148,146

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(s) 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	2017	2016
Da'an Dist., Taipei City	2.10%	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, 2017 and 2016, The Company did not pledge any collateral on investment properties.

(i) 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, 2017	$	41,756	124,221	165,977
Reclassification		32,157	38,156	70,313
Balance at December 31, 2017	$	73,913	162,377	236,290
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
Amortization:				
Balance at January 1, 2017	$	17,748	110,257	128,005
Amortization		5,515	16,458	21,973
Balance at December 31, 2017	$	23,263	126,715	149,978
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
Carrying value:				
December 31, 2017	$	50,650	35,662	86,312
December 31, 2016	$	24,008	13,964	37,972
January 1, 2016	$	28,184	21,171	49,355

i) In 2017 and 2016, the amortization of intangible assets were as follows:

		2017	2016
Operating costs	$	3,122	1,083
Operating expenses	$	18,851	19,075
Other income and expenses	$	–	672

ii) The Company did not pledge any collateral on intangible assets.

(j) 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, 2017		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.53~2.06	2018	$ 3,809,306

	Dec. 31, 2016		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.78~1.90	2017	$ 3,065,704

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

As of December 31, 2017 and 2016, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to $4,415,850 thousand and $5,098,506 thousand, respectively.

ii) Short-term commercial paper payable

The details of the Company's short-term commercial paper payable were as follows:

	Dec. 31, 2016		
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	INTERNATIONAL BILLS FINANCE CORPORATION	1.15	$ 350,000
Less: discount			25
Total			$ 349,975

iii) Long-term borrowings

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

	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

The Company disclosed related risk exposure to the financial instruments in note 6(v).

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, 2017		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		10,595	2,362	8,233
	$	45,915	3,493	42,422

December 31, 2016		Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	$	7,064	77	6,988
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

(k) Current provisions (recorded as other payable)

		Provision for defective products
Balance at January 1, 2017	$	–
Increase in provisions		27,713
Reversal of unused provisions		(14,482)
Balance at December 31, 2017	$	13,231

The Company may have losses caused by the defeats of new products that are not yet mass produced and by the return and compensation occurred after products were delivered to customers. The Company had estimated the provisions based on historical experience and recognized the amount under operating cost.

(l) Operating leases

i) Lessee

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

		Dec. 31, 2017	Dec. 31, 2016
More than five years	$	71,123	13,516

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, 2017 and 2016, lease expenses were $19,281 thousand and $18,726 thousand, respectively.

ii) Lessor

The Company 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, 2017	Dec. 31, 2016
Less than five years	$	102,598	84,562

(m) 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, 2017	Dec. 31, 2016
The present value of the defined benefit obligations	$	598,028	636,379
Fair value of plan assets		(423,675)	(462,360)
The net defined benefit liability	$	174,353	174,019

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 $423,675 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, 2017 and 2016 were as follows:

	2017	2016
Defined benefit obligation as of 1 January	$ 636,379	632,181
Current service costs and interest	14,510	18,251
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding current interest expense)	10,500	32,301
—Due to changes in financial assumption of actuarial (losses) gains	(13,674)	29,153
Benefits paid by the plan	(49,687)	(75,507)
Defined benefit obligation as of 31 December	$ 598,028	636,379

iii. Movements in fair value of plan assets

The movements in the fair value of the plan assets for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Fair value of plan assets as of January 1	$ 462,360	321,576
Remeasurements of net defined benefit liability (asset)		
—Return on plan assets (excluding current interest expense)	4,306	3,072
Contributions made	6,696	213,219
Benefits paid by the plan	(49,687)	(75,507)
Fair value of plan assets as of December 31	$ 423,675	462,360

iv. Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2017 and 2016 were as follows:

	2017	2016
Current service cost	$ 7,526	8,171
Net interest on the defined benefit liability (asset)	1,931	4,838
	$ 9,457	13,009

	2017	2016
Operating costs	$ 5,787	8,150
Operating expenses	3,379	4,295
Other income and expenses	261	564
Other receivable	30	–
	$ 9,457	13,009

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, 2017 and 2016, were as follows:

	2017	2016
Balance of January 1	$ (180,884)	(117,260)
Recognized during the period	2,427	(63,624)
Balance of December 31	$ (178,457)	(180,884)

vi. Actuarial assumptions

The following are the Company's principal actuarial assumptions at the reporting dates:

	Dec. 31, 2017	Dec. 31, 2016
Discount rate	1.375%	1.125%
Future salary increases rate	1.500%	1.500%

The Company expects to make contributions of $4,667 thousand to the defined benefit plans in the next year starting from the reporting date of 2017.

The weighted average duration of the defined benefit plan is 11.76 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, 2017 and 2016, 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, 2017		
Discount rate	$ (13,240)	13,674
Future salary increase rate	13,232	(12,877)
December 31, 2016		
Discount rate	$ (14,826)	15,350
Future salary increase rate	14,840	(14,404)

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 $21,937 thousand and $19,750 thousand for the years 2017 and 2016, respectively. Payments were made to the Bureau of Labor Insurance.

iii) Short-term employee benefit liabilities

	Dec. 31, 2017	Dec. 31, 2016
Compensated absence liabilities	$ 24,346	21,592

(n) Income tax

i) Income tax expenses (benefit)

The amount of the Company's income tax expenses (benefit) for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Current income tax expense (benefit)			
Current period	$	–	15,842
Adjustment for prior periods		5,797	2,215
		5,797	18,057
Deferred tax expense (benefit)			
Origination and reversal of temporary differences		16,643	65,157
Income tax expense (benefit) on continuing operations	$	22,440	83,214

Reconciliations of the Company's income tax expense (benefit) and the profit before tax for 2017 and 2016 were as follows:

		2017	2016
Income before tax	$	896,547	1,071,566
Income tax calculated on pretax accounting income at statutory rate	$	152,413	182,166
Dividend income		(8,727)	(8,193)
Adjustment for prior periods		6,973	(3,360)
Domestic investment loss		21,022	18,452
Foreign investment income		(141,623)	(107,439)
R&D tax credits utilized		(6,163)	(14,913)
Others		(1,455)	16,501
Total	$	22,440	83,214

ii) Recognized deferred tax assets and liabilities

Changes in the amount of deferred tax assets and liabilities for 2017 and 2016 were as follows:

Deferred tax assets:		Provision for retirement benefit	Allowance for inventory valuation	Loss carryforward	Others	Total
Balance at January 1, 2017	$	19,704	6,231	37,042	24,344	87,321
Recognized in profit or loss		10,349	8,587	(13,366)	(7,565)	(1,995)
Balance at December 31, 2017	$	30,053	14,818	23,676	16,779	85,326
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

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, 2017	$	311,287	31,751	56,683	11,484	411,205
Recognized in profit or loss		13,367	212	–	1,069	14,648
Balance at December 31, 2017	$	324,654	31,963	56,683	12,553	425,853
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

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, 2017	Dec. 31, 2016
Derived from year 1997 and prior years	(Note)	$ 1,637
Derived from year 1998 and thereafter	(Note)	1,707,699
		$ 1,709,336

	Dec. 31, 2017	Dec. 31, 2016
Balance of imputation credit account (ICA)	(Note)	$ 93,274

	2017 (estimated)	2016 (estimated)
Creditable ratio for earnings distribution to R.O.C. Residents	(Note)	5.76%

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% surtax on unappropriated earnings was also adjusted to half of the original amount.

Note: According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, effective January 1, 2018, companies will no longer be required to establish, record, calculate, and distribute their ICA due to the abolishment of the imputation tax system.

(o) Capital and other equity

As of December 31, 2017 and 2016, 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, 2017	Dec. 31, 2016
Share premium	$ 849	849
Overaging unclaimed dividends	40,194	–
	$ 41,043	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 No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified $(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

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

The appropriations of 2016 and 2015 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 22, 2017, and June 24, 2016, respectively, were as follows:

	2017		2016	
Dividends distributed to common shareholders:	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Cash	$ 1.00	825,710	1.06	875,253

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, 2017	$ 990,359	735,464	(23,562)	1,702,261
Foreign exchange differences arising from foreign operation	(478,351)	–	–	(478,351)
Unrealized gains (losses) from available-for-sale financial assets-the Company	–	(80,331)	–	(80,331)
Unrealized gains (losses) from available-for-sale financial assets-the subsidiary	–	(31,324)	–	(31,324)
Share of other comprehensive income of associates accounted for under equity method, losses on effective portion of cash flow hedges	–	–	35,283	35,283
Balance as of December 31, 2017	$ 512,008	623,809	11,721	1,147,538
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	735,464	(23,562)	1,702,261

(p) arnings per share

The calculation of the Company's basic earnings per share and diluted earnings per share for the years ended December 31, 2017 and 2016, were as follows:

i) Basic earnings per share

	2017	2016
Net income attributable to common shareholders of the Company	$ 874,107	988,352
Weighted-average number of common shares	825,710	825,710
Basic earnings per share (in NT dollars)	$ 1.06	1.20

ii) Diluted earnings per share

		2017	2016
Net income attributable to common shareholders of the Company (diluted)	$	874,107	988,352
Weighted-average number of common shares (basic)		825,710	825,710
Impact of potential common shares			
Effect of employees' bonuses		1,603	1,272
Weighted-average number of shares outstanding (diluted)		827,313	826,982
Diluted earnings per share (in NT dollars)	$	1.06	1.20

(q) Employees' compensation and directors' remuneration

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

For the years ended December 31, 2017 and 2016, the Company estimated its employees' compensation were $49,732 thousand and $35,219 thousand, respectively, and the estimated amounts of directors' remuneration were $9,558 thousand and $11,180 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. Related information would be available at the Market Observation Post System website. The amounts, as stated in the financial statements, are identical to those of the actual distributions for 2017 and 2016.

(r) Revenue

The details of the Company's revenue for the years ended December 31, 2017 and 2016 were as follows:

		2017	2016
Sale of goods	$	11,254,655	8,831,537

(s) Other income and expenses

The components of the Company's other income and expenses for the years ended December 31, 2017 and 2016, were as follows:

		2017	2016
Rental income	$	74,335	71,770
Royalty income		144,806	115,451
Net service income		30,466	25,128
Depreciation of investment properties		(14,725)	(14,725)
Net other income		24,237	28,515
	$	259,119	226,139

(t) 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, 2017 and 2016, were as follows:

		2017	2016
Dividend income	$	51,779	55,133
Foreign exchange gain, net		18,221	2,473
Gains on disposal of investments		154,458	–
Others		(1,740)	(1,029)
	$	222,718	56,577

ii) Finance costs

		2017	2016
Interest expenses	$	71,568	57,909

(u) Reclassification of components of other comprehensive income

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

	2017	2016
Effective portion of cash flow hedges:		
Net losses for current year	$ 44,784	(32,202)
Less: Adjustment of reclassification included in profit or loss	9,501	(8,640)
Net losses recognized in other comprehensive income	$ 35,283	(23,562)
Available-for-sale financial assets		
Net change in fair value for current period	$ (111,655)	(164,438)
Net change in fair value reclassified to profit or loss	–	–
Net changes in fair value recognized in other comprehensive income	$ (111,655)	(164,438)

(v) 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, 2017 and 2016, the maximum credit risk exposure amounted to $2,379,862 thousand, $2,842,575 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, 2017						
Non-derivative financial liabilities						
Short-term borrowings	3,813,808	3,813,808	–	–	–	–
Short-term commercial paper payable	349,975	349,975	–	–	–	–
Accounts payable	$ 719,356	719,356	–	–	–	–
Other payable	409,342	409,342	–	–	–	–
Long-term borrowings	1,623,419	409,057	408,617	805,745	–	–
Financial guarantee contracts	2,709,687	526,562	662,625	526,562	–	993,938
Derivative financial liabilities						
Other forward contracts:						
Outflow	226	226	–	–	–	–
	$ 9,625,813	6,228,326	1,071,242	1,332,307	–	993,938
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

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, 2017				
Financial assets:				
Monetary assets:				
USD	$	26,287	29.8480	784,614
EUR	$	2,004	35.6743	71,491
JPY	$	20,486	0.2649	5,427
CNY	$	12,245	4.5788	56,067
Financial liabilities:				
Monetary liabilities:				
USD	$	44,023	29.8480	1,313,999
EUR	$	1,149	35.6743	40,990
JPY	$	10,192	0.2649	2,700
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

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 $4,401 thousand and $8,768 thousand for the years ended December 31, 2017 and 2016, 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:

	2017		2016	
	Foreign exchange gain (loss)	Average exchange rate	Foreign exchange gain (loss)	Average exchange rate
USD	$ 17,898	30.4499	(2,376)	32.3220
CNY	(1,869)	4.5076	2,017	4.8550
Other	2,192	-	2,832	-

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 $54,093 thousand and $50,657 thousand for the years ended December 31, 2017 and 2016, 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, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Oversea) listed stocks	$ 235,024	235,024	-	-	235,024
Domestic (Oversea) unlisted stocks	701,338	-	701,338	-	701,338
Subtotal	936,362	235,024	701,338	-	936,362
Loans and receivables					
Cash and cash equivalents	231,989	-	-	-	-
Accounts and notes (including related parties)	1,070,692	-	-	-	-
Other receivables	140,819	-	-	-	-
Subtotal	1,443,500	-	-	-	-
Total	$ 2,379,862	235,024	701,338	-	936,362
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities	$ 226	-	226	-	226
Financial liabilities measured at amortized cost					
Short-term borrowings	3,809,306	-	-	-	-
Short-term notes and bills payable	349,975	-	-	-	-
Long-term debts (including current portion)	1,600,000	-	-	-	-
Accounts payables	719,356	-	-	-	-
Other payables	409,342	-	-	-	-
Subtotal	6,887,979	-	-	-	-
Total	$ 6,888,205	-	226	-	226

		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	–	–	–	–

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. Forward Exchange Contracts are normally priced based on the exchange rates provided by the World Agencies.

(w) 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 2017 and 2016, 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, 2017 and 2016, 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.

(x) 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, 2017	Dec. 31, 2016
Total liabilities	$ 7,782,997	7,407,305
Total equity	14,877,516	15,341,221
Total assets	$ 22,660,513	22,748,526
Debts ratio	34%	32%

As of December 31, 2017, there were no material changes in the Company's debts ratio.

(7) Related-party Transactions

(a) Parent company and ultimate controlling party
The Company is the ultimate controlling party of the subsidiaries.

(b) Names and relationship with related parties
In this financial report, the related parties having transactions with the Company and subsidiaries were listed as below:

Name of related party	Relationship with the Group
Trimurti Holding Corporation	The subsidiary of the Company
Hardison International Corporation	〃
Dymas Corporation	〃
TSRC (HONG KONG) Limited	〃
TSRC (Shanghai) Industries Ltd.	〃
TSRC (Lux.) Corporation S.'a.r.l.	〃
TSRC (USA) Investment Corporation	〃
Dexco Polymers L.P.	〃
Polybus Corporation Pte Ltd.	〃
Shen Hua Chemical Industries Co., Ltd.	〃
TSRC-UBE (Nantong) Industries Co., Ltd.	〃
TSRC (Nantong) Industries Ltd.	〃
Triton International Holdings Corporation	〃
TSRC Biotech Ltd.	〃
Indian Synthetic Rubber Private Limited	The subsidiary recognized associates under equity method
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	〃
Asia Pacific Energy Development Co., Ltd	〃
Taiwan Advanced Material Corp	The Company recognized joint venture under equity method
Nantong Qix Storage Co., Ltd	The subsidiary recognized joint venture under equity method

(c) Significant transactions with related parties

i) Revenue

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

	2017	2016
Subsidiaries	$ 273,171	372,420

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:

	2017	2016
Subsidiaries	$ 97,564	89,522

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:

	2017	2016
Subsidiaries		
Shen Hua Chemical Industries Co., Ltd.	$ 28,709	30,422
TSRC (Nantong) Industries Ltd.	60,789	53,850
Other subsidiaries	37,492	20,322
Associates		
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	11,448	10,957
Indian Synthetic Rubber Private Limited	45,830	7,726
Taiwan Advanced Material Corp	-	31,694
	$ 184,268	154,971

ii. The Company received consulting services such as marketing, financing and research services from its subsidiaries. In 2017 and 2016, the services amounted to $65,237 thousand and $56,811 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, 2017	Dec. 31, 2016
	Subsidiaries		
Accounts receivable－related parties	TSRC (Nantong) Industries Ltd.	$ 16,891	27,828
Accounts receivable－related parties	Polybus Corporation Pte Ltd.	11,078	11,375
Accounts receivable－related parties	TSRC (Lux.) Corporation S.'a.r.l.	11,895	14,092
Accounts receivable－related parties	Other subsidiaries	-	2,910
	Subsidiaries		
Other receivable	TSRC (Nantong) Industries Ltd.	57,979	55,728
Other receivable	Other subsidiaries	25,076	14,923
	Associates		
Other receivable	Indian Synthetic Rubber Private Limited	32,707	10,072
Other receivable	Other associates	8,506	6,357
		$ 164,132	143,285

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, 2017	Dec. 31, 2016
Accounts payable	Subsidiaries	$ 4,537	4,479
Other payable	Subsidiaries	36,453	28,876
		$ 40,990	33,355

vi) Guarantees

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

	Dec. 31, 2017	Dec. 31, 2016
Subsidiaries		
TSRC (USA) Investment Corporation	$ –	1,032,928
Associates		
Indian Synthetic Rubber Private Limited	1,656,563	1,161,721
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	1,053,124	531,185
	$ 2,709,687	2,725,834

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

	Dec. 31, 2017	Dec. 31, 2016
Associates		
Indian Synthetic Rubber Private Limited	$ 26,350	22,151
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	649	807
	$ 26,999	22,958

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2017	2016
Short-term employee benefits	$ 87,364	78,088
Post-employment benefits	393	2,334
	$ 87,757	80,422

(8)Pledged Assets: None.

(9) Significant Commitments and Contingencies

(a) As of December 31, 2017 and 2016, the Company's unused letters of credit outstanding for purchases of materials were $1,008,244 thousand, $1,948,220 thousand, respectively.

(b) As of December 31, 2017 and 2016, the Company's signed construction and design contracts with several factories totaled $55,462 thousand, $78,378 thousand, respectively, of which $29,610 thousand, $43,013 thousand, respectively, were paid.

(10) Significant Losses from Calamity: None.

(11) Significant Subsequent Events

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing FY 2018. This increase does not affect the amounts of the current or deferred income taxes recognized on December 31, 2017. However, it will increase the Group's current tax charge accordingly in the future. On the other hand, if the new tax rate is applied in calculating the taxable temporary differences and tax losses recognized on December 31, 2017, the deferred tax assets and deferred tax liabilities would increase by $13,376 and $64,147, respectively.

(12) Others

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

Function / Category	2017			2016		
	Costing	Expensed	Sum	Costing	Expensed	Sum
Employee benefits						
Salary	362,900	328,591	691,491	333,201	287,401	620,602
Labor and health insurance	29,043	24,678	53,721	25,587	21,790	47,377
Pension (note 1)	16,517	14,013	30,530	17,570	14,046	31,616
Others (note 2)	46,994	73,137	120,131	42,749	61,004	103,753
Depreciation (Note 3)	209,412	48,672	258,084	204,848	51,357	256,205
Amortization (note 4)	3,122	18,851	21,973	1,083	19,075	20,158

note 1: Pension expenses excluded expenses for employees on international assignments amounting to $864 thousand and $1,143 thousand for the years 2017 and 2016, 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 2017 and 2016 were excluded.

note 4: Amortization of intangible assets recognized under other income and expenses amounting to $672 thousand for the years 2016, respectively, was excluded.

The average employee numbers were 658 and 615 for the years 2017 and 2016, respectively.

(13) Other Disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:

Unit: thousand NTD

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers (Note 5)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	68,682	68,682	68,682	3.915%	2	–	Operating capital	–	–	–	186,608 (Note 1)	373,215 (Note 2)

Note 1: The loan limit extended per party of TSRC (Shanghai) Industries Ltd. should not be over 10% of total equity. However, if the counterparty is a subsidiary 100% owned, directly or indirectly by TSRC, the loan limit extended per party should not be over 50% of the total equity of the most recent financial statements audited or reviewed by a CPA.

Note 2: The maximum loan extended to all parties of TSRC (Shanghai) Industries Ltd. should not be over 40% of total equity. However, if the counterparty is a subsidiary 100.00% owned, directly or indirectly by TSRC, the total loan limit should not be over 100% of total equity of the most recent financial statements audited or reviewed by a CPA .

Note 3: TSRC (Shanghai) Industries Ltd., and TSRC (Nantong) Industries Ltd. are 100.00% owned by TSRC.
Note 4: Credit period: The financing period should not be over one year.
Note 5: Nature of financing activities is as follows:
(1)if there are transactions between these two parties, the number is "1".
(2)if it is necessary to loan to other parties, the number is "2".

ii) Guarantees and endorsements for other parties:

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)	955,136	–	–	–	– %	(Note 3)	Y		
0	TSRC Corp.	Arlanxeo TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,579,686	1,053,124	471,937	–	7.08%	(Note 3)			Y
0	TSRC Corp.	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,656,563	1,656,563	851,563	–	11.13%	(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 $22,316,274 thousand.

iii) Securities held as of December 31, 2017
(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	10,001,000	235,024	0.18%	235,024	
TSRC Corp.	Evergreen Steel Corporation	–	Available-for-sale financial assets – non-current	12,148,000	302,971	3.00%	302,971	
TSRC Corp.	Thai Synthetic Rubbers Co., Ltd.	–	Available-for-sale financial assets – non-current	599,999	131,640	5.42%	131,640	
TSRC Corp.	Hsin-Yung Enterprise Corporation	–	Available-for-sale financial assets – non-current	5,657,000	266,727	3.90%	266,727	

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	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	—	Available-for-sale financial assets – non-current	837,552	183,759	7.57%	183,759	
TSRC Biotech Ltd.	Pulse Metric Inc.	—	Available-for-sale financial assets – non-current	312,500	—	6.23%	(Note 1)	
					1,120,121		1,120,121	

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	110,852	4.15%	70 days	—	—	(11,895)	(2.86)%	
TSRC	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(110,852)	(0.98)%	70 days	—	—	11.,895	1.11%	
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	156,464	1.99%	14 days	—	—	(22,252)	(5.12)%	
TSRC-UBE (Nantong) Industries Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd. Related parties	Purchase	413,302	13.94%	14 days	—	—	(13,327)	(4.72)%	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	495,567	68.58%	40 days	—	—	(49,972)	(72.90)%	
TSRC (Nantong) Industries Ltd	Polybus Corporation Pte Ltd.	Related parties	Sale	(495,567)	(10.33)%	40 days	—	—	42,972	6.48%	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industries Co., Ltd.	Related parties	Purchase	151,828	21.01%	40 days	—	—	(4,981)	(8.45)%	
Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(151,828)	(1.80)%	40 days	—	—	4,981	0.36%	

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-UBE (Nantong) Industries Ltd.	Shen Hua Chemical Industries Co., Ltd.	Related parties	Purchase	273,648	9.23%	90 days	—	—	—	- %	
Shen Hua Chemical Industries Co., Ltd.	TSRC-UBE (Nantong) Industries Ltd.	Related parties	Sale	(273,648)	(3.25)%	90 days	—	—	—	- %	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	1,020,717	38.23%	90 days	—	—	(145,801)	(35.07)%	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,020,717)	(25.25)%	90 days	—	—	145,801	38.68%	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	1,527,877	57.23%	70 days	—	—	(258,659)	(62.22)%	
TSRC (Nantong) Industries Ltd	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,527,877)	(31.85)%	70 days	—	—	258,659	39.02%	
Dexco Polymers L.P.	TSRC (Nantong) Industries Ltd	Related parties	Purchase	228,139	9.00%	70 days	—	—	(46,883)	(14.56)%	
TSRC (Nantong) Industries Ltd	Dexco Polymers L.P.	Related parties	Sale	(228,139)	(4.76)%	70 days	—	—	46,883	7.07%	

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	258,659	6.06	—	—	159,187	—
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	145,801	8.35	—	—	145,801	—

Note 1: Until March 15, 2018.

ix) Trading in derivative instruments:
Please refer to notes 6(b).

(b) Information on investees:

The following is the information on investees for the year 2017 (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, 2017	Dec. 31, 2016	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%	12,270,839	877,248	880,077	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%	782,231	30,404	30,404	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%	157,065	32,290	6,290	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%	247,562	(589,816)	(283,112)	–
Trimurti Holding Corporation	Polybus Corporation Pte. Ltd.	100 Peck Seah Street #09-16 Singapore 079333	International commerce and investment corporation	1,943,135 (USD 65,101)	1,943,135 (USD 65,101)	105,830,000	100.00%	7,474,473	619,206	619,206	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited.	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation	2,323,667 (USD 77,850)	2,323,667 (USD 77,850)	77,850,000	100.00%	3,059,241	191,352	191,352	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	837,087 (USD 28,045)	837,087 (USD 21,200)	151,705,125	34.04%	205,093	263,190	89,590	–
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	1,812,254 (EUR 50,800)	1,812,254 (EUR 50,800)	50,800,000	100.00%	2,568,297	136,842	136,842	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	2,090,852 (USD 70,050)	2,090,852 (USD 70,050)	100	100.00%	2,499,830	117,340	117,340	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	5,749,232 (USD 192,617)	5,749,232 (USD 192,617)	–	100.00%	1,437,288	298,460	298,460	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	1,492 (USD50)	1,492 (USD50)	50,000	100.00%	109,002	4,757	4,757	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, 2017	Dec. 31, 2016	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	143,241 (USD 4,799)	143,241 (USD 4,799)	4,798,566	80.52%	670,537	32,290	26,000	Indirectly owned subsidiary
Hardison International Corporation	TSRC Biotech Ltd.	4th F1., Harbour Centre, P.O.BOX613, George Town, Grand Cayman	Investment corporation	90,141 (USD 3,020)	90,141 (USD 3,020)	3,020,210	100.00%	5	–	–	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd	Cayman Islands	Consulting for electric power facilities management and electrical system design	336,835 (USD 11,285)	336,835 (USD 11,285)	7,522,337	37.78%	419,121	76,553	28,922	–

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD29.848; EUR1 to NTD35.6743).

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	1,230,335 (USD 41,220)	(2)a.	–	–	–	–	(21,140)	65.44%	(13,834) (Note 2)	1,776,899	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd	Power generation and sale of electricity and steam	689,489 (USD 23,100)	(2)c.	114,378 (USD3,832)	–	–	114,378 (USD3,832)	178,364	28.34%	50,548 (Note 3)	319,842	–
TSRC (Shanghai) Industries Ltd	Production and sale of compounding materials	164,164 (USD 5,500)	(2)b.	117,004 (USD3,920)	–	–	117,004 (USD3,920)	64,899	100.00%	64,899 (Note 2)	373,215	–
Nantong Qix Storage Co., Ltd	Storehouse for chemicals	89,544 (USD 3,000)	(2)d.	44,772 (USD1,500)	–	–	44,772 (USD1,500)	8,793	50.00%	4,397 (Note 2)	70,821	–
TSRC -UBE (Nantong) Chemical Industrial Company Limited	Production and sale of synthetic rubber products	1,193,920 (USD 40,000)	(2)a.	29,848 (USD1,000)	–	–	29,848 (USD1,000)	(42,887)	55.00%	(23,588) (Note 2)	777,725	–

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	2,314,384 (USD 77,539)	(2)a.	198,430 (USD6,648)	–	–	198,430 (USD6,648)	654,067	100.00%	654,067 (Note 2)	3,912,074	–
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd. (Note 6)	Production and sale of NBR	1,337,190 (USD 44,800)	(2)a.	–	–	–	–	4,943	50.00%	2,471 (Note 3)	181,347	–

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 NTD29.848).

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
504,432(USD16,900)	4,768,188(USD159,749)(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 NTD29.848).

iii) Significant transactions:

1) Sales and accounts receivable

Sales to related parties in Mainland China are summarized as follows:

	2017
TSRC (Shanghai) Industries Ltd.	$ 13,839
TSRC (Nantong) Industries Ltd.	87,393
	$ 101,232

The related accounts receivable resulting from the above transactions as of December 31, 2017 as follows:

	Dec. 31, 2017
TSRC (Nantong) Industries Ltd.	$ 16,891

There were no significant differences between the pricing of sales transactions with related parties and that with other customers. The payment terms ranged from two to three months, which were similar to those given to other customers.

2) Purchases and accounts payable

Purchase from related parties in Mainland China are summarized as follows:

	2017
TSRC-UBE (Nantong) Industries Ltd.	$ 76,183
TSRC (Nantong) Industries Ltd.	19,239
TSRC (Shanghai) Industries Ltd.	51
	$ 95,473

The related accounts payable resulting from the above transactions as of December 31, 2017 as follows:

	Dec. 31, 2017
TSRC (Nantong) Industries Ltd.	$ 4,537

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

3) Service income

Nature	Name	Service income 2017	Accounts receivable Dec. 31, 2017
Management and technology services	Shen Hua Chemical Industries Co., Ltd.	$ 28,709	5,435
Management and technology services	TSRC (Nantong) Industries Ltd.	95,634	57,979
Management and technology services	TSRC-UBE (Nantong) Industries Ltd.	3,610	579
Management and technology services & trademark rights	TSRC (Shanghai) Industries Ltd.	7,911	2,094
Management and technology services	Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	11,448	8,506
		$ 147,312	74,593

4) Guarantees

As of December 31, 2017, guarantees provided by the Company for the bank loans of investees in Mainland China was as follows:

	2017
Arlanxeo-TSRC (Nantong) Chemical Industrial Co., Ltd.	$ 1,053,124

(14) Segment Information

Please refer to the year 2017 consolidated financial statements.

TSRC Corporation

Chairman: Shao Yu Wang