

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)

**TSRC CORPORATION
AND ITS SUBSIDIARIES**

Consolidated Interim Financial Statements

June 30, 2017 and 2016

(With Independent Auditors' Review Report Thereon)

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

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Independent Auditors' Review Report

To the Board of Directors
TSRC Corporation:

We have reviewed the accompanying consolidated balance sheets of TSRC Corporation and subsidiaries (the Group) as of June 30, 2017 and 2016, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2017 and 2016, changes in equity and cash flows for the six months ended June 30, 2017 and 2016. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to issue a report on these consolidated financial statements based on our reviews.

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

The accompanying consolidated financial statements include certain consolidated subsidiaries whose financial statements for the same periods have not been reviewed by independent accountants, and as of June 30, 2017 and 2016, their total assets amounted to \$3,628,288 thousand and \$3,522,072 thousand, respectively, both constituting 12%, of total consolidated assets, and their total liabilities amounted to \$1,231,181 thousand and \$961,337 thousand, respectively, both constituting 8%, of total consolidated liabilities; and the comprehensive income of these consolidated subsidiaries for the three months and six months ended June 30, 2017 and 2016, amounted to \$(8,230) thousand, \$(32,549) thousand, \$(31,860) thousand and \$(13,354) thousand, respectively, constituting 33%, (15)%, 9%, and (5)%, respectively, of the consolidated comprehensive income. The Group's investments accounted for under the equity method amounted to \$1,082,796 thousand and \$1,365,514 thousand as of June 30, 2017 and 2016, respectively. The shares of gains (losses) of associates and joint ventures accounted for under the equity method amounted to \$30,528 thousand, \$30,838 thousand, \$79,662 thousand and \$(26,984) thousand for the three months and six months ended June 30, 2017 and 2016, respectively. The information mentioned above was based on the financial statements of the investees for the same periods, which have not been reviewed by independent accountants.



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

KPMG

Taipei, Taiwan (Republic of China)

August 3, 2017

Notes to Readers

The accompanying consolidated interim financial statements are intended only to present the consolidated statement of financial position, financial performance and its cash flows in accordance with the accounting principles and practices generally accepted in the Republic of China and not those of any other jurisdictions. The standards, procedures and practices to review such consolidated interim financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Interim Financial Statements and Report Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2017 and 2016

TSRC CORPORATION AND ITS SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2017, December 31, and June 30, 2016
(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2017		December 31, 2016		June 30, 2016		June 30, 2017		December 31, 2016		June 30, 2016	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
Assets												
Current assets:												
1100 Cash and cash equivalents (note 6(a))	\$ 4,141,474	13	3,508,340	12	3,743,655	13	2100				5,212,142	17
1150 Notes receivable, net (note 6(c))	688,260	2	657,959	2	694,269	2	2322				413,261	1
1170 Accounts receivable, net (note 6(c))	3,928,023	13	3,286,913	11	3,090,986	10	2111				249,839	1
1200 Other receivable (notes 6(c) and 7)	104,021	-	132,978	1	174,378	1	2170				1,420,138	5
1220 Current income tax assets	92,185	-	55,785	-	54,216	-	2180				938	-
1310 Inventories (note 6(d))	6,779,001	22	5,379,908	18	5,085,588	17	2216				924,734	3
1479 Other current assets	425,336	1	605,519	2	292,796	1	2230				229,122	1
Total current assets	16,158,300	51	13,627,402	46	13,135,888	44	2219				979,544	3
Non-current assets:							2399				171,236	1
1523 Available-for-sale financial assets-- non-current (note 6(b))	1,310,343	4	1,336,406	5	1,421,769	5					9,600,954	32
1550 Investments accounted for under equity method (notes 6(e), 6(f) and 7)	1,082,796	4	1,236,754	4	1,365,514	5	2540				2,413,261	8
1600 Property, plant and equipment (notes 6(g) and 9)	8,490,577	27	8,947,258	30	9,384,258	31	2550				26,850	-
1760 Investment property (note 6(h))	1,618,412	5	1,625,775	5	1,633,137	5	2570				22,958	-
1780 Intangible assets (note 6(i))	2,022,263	7	2,179,937	7	2,257,337	7	2600				621,435	2
1840 Deferred income tax assets	296,720	1	321,717	1	340,837	1					254,587	1
1900 Other non-current assets (note 8)	447,170	1	494,678	2	521,779	2					2,254,225	1
Total non-current assets	15,268,281	49	16,142,525	54	16,924,631	56					2,754,204	9
											12,718,102	43
											12,759,409	43
Equity attributable to shareholders of the company (notes 6(e), 6(m) and 6(n)):												
Common stock	3100										8,257,099	27
Capital surplus	3200										849	-
Retained earnings:											849	-
Legal reserve	3310										3,770,512	12
Unappropriated earnings	3350										1,051,676	3
Other equity:											4,822,188	15
Financial statement translation differences for foreign operations	3410										5,381,012	18
Unrealized gain on valuation of available-for-sale financial assets	3425										29,769,927	100
Loss on effective portion of cash flow hedges	3433										1,470,455	5
Total equity attributable to shareholders of the company											31,426,581	100
Non-controlling interests											1,709,336	6
Total equity											33,135,917	100
Total liabilities and equity											33,135,917	100

See accompanying notes to consolidated interim financial statements.

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TSRC CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2017 and 2016

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

		For the three months ended June 30				For the six months ended June 30			
		2017		2016		2017		2016	
		Amount	%	Amount	%	Amount	%	Amount	%
4000	Revenue (notes 6(p) and 7)	\$ 8,362,661	100	7,074,160	100	\$ 17,121,495	100	13,191,561	100
5000	Operating costs (notes 6(d), 6(g), 6(k), 6(l), 6(q) and 7)	7,861,790	94	5,831,869	82	15,574,799	91	11,003,514	83
5910	Gross profit	500,871	6	1,242,291	18	1,546,696	9	2,188,047	17
6000	Operating expenses (notes 6(c), 6(g), 6(l), 6(q) and 7):								
6100	Selling expenses	235,361	3	238,946	3	465,378	3	466,805	4
6200	General and administrative expenses	238,181	3	255,518	4	478,445	3	479,319	4
6300	Research and development expenses	89,218	1	84,528	1	177,490	1	166,105	1
	Total operating expenses	562,760	7	578,992	8	1,121,313	7	1,112,229	9
6500	Other income and expenses, net (notes 6(r) and 7)	49,540	1	33,011	-	90,312	1	61,269	-
6900	Operating profit (loss)	(12,349)	-	696,310	10	515,695	3	1,137,087	8
	Non-operating income and expenses (notes 6(e) and 6(s)):								
7100	Interest income	12,966	-	9,321	-	25,080	-	22,408	-
7020	Other gains and losses	(171,689)	(2)	47,493	1	(166,034)	(1)	30,685	-
7050	Finance costs	(55,658)	-	(40,272)	-	(106,304)	-	(78,273)	-
7770	Share of loss of associates and joint ventures accounted for under equity method	30,528	-	30,838	-	79,662	-	(26,984)	-
	Total non-operating income and expenses	(183,853)	(2)	47,380	1	(167,596)	(1)	(52,164)	-
7900	Net income (loss) before tax	(196,202)	(2)	743,690	11	348,099	2	1,084,923	8
7950	Less: Tax income (expense) (note 6(m))	(14,625)	-	215,957	3	164,758	1	311,711	2
	Net income (loss)	(181,577)	(2)	527,733	8	183,341	1	773,212	6
8300	Other comprehensive income (loss):								
8360	Items that may be reclassified subsequently to profit or loss								
8361	Financial statements translation differences for foreign operations	211,152	2	(243,008)	(4)	(590,946)	(3)	(415,367)	(3)
8362	Unrealized gains (losses) on valuation of available-for-sale financial assets	(22,817)	-	(51,354)	(1)	26,195	-	(79,089)	(1)
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	(31,714)	-	(9,923)	-	26,056	-	(8,092)	-
8399	Income tax expense relating to components of other comprehensive income (loss)	-	-	-	-	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	156,621	2	(304,285)	(5)	(538,695)	(3)	(502,548)	(4)
8300	Other comprehensive income (loss), net of tax	156,621	2	(304,285)	(5)	(538,695)	(3)	(502,548)	(4)
	Total comprehensive income	\$ (24,956)	-	223,448	3	(355,354)	(2)	270,664	2
	Net income (loss) attributable to:								
8610	Shareholders of parent	\$ (86,792)	(1)	461,038	7	266,886	1	685,847	5
8620	Non-controlling interests	(94,785)	(1)	66,695	1	(83,545)	-	87,365	1
	Total comprehensive income attributable to:	\$ (181,577)	(2)	527,733	8	183,341	1	773,212	6
8710	Shareholders of parent	\$ 39,368	-	210,704	3	(223,460)	(1)	243,344	2
8720	Non-controlling interests	(64,324)	-	12,744	-	(131,894)	(1)	27,320	-
		\$ (24,956)	-	223,448	3	(355,354)	(2)	270,664	2
9710	Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(o))	\$ (0.11)		0.56		0.32		0.83	

See accompanying notes to consolidated interim financial statements.

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TSRC CORPORATION AND ITS SUBSIDIARIES
Consolidated Statements of Changes in Equity
For the six months ended June 30, 2017 and 2016
(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Retained earnings					Other equity						
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Financial statements translation differences for foreign operations	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total	Total equity attributable to shareholders of the parent		
\$	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
Appropriation and distribution:												
Legal reserve	-	-	52,911	(52,911)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(875,253)	(875,253)	-	-	-	-	(875,253)	(88,936)	(964,189)
Net income	-	-	-	685,847	685,847	-	-	-	-	685,847	87,365	773,212
Other comprehensive income (loss)	-	-	-	-	-	(363,414)	(79,089)	-	(442,503)	(442,503)	(60,045)	(502,548)
Total comprehensive income (loss)	-	-	-	685,847	685,847	(363,414)	(79,089)	-	(442,503)	243,344	27,320	270,664
Changes in ownership interests in subsidiaries under equity method												
\$	8,257,099	849	3,671,676	1,470,455	5,142,131	1,309,405	820,813	-	2,130,218	15,530,297	1,770,813	17,301,110
\$	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
Appropriation and distribution:												
Legal reserve	-	-	98,836	(98,836)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(825,710)	(825,710)	-	-	-	-	(825,710)	-	(825,710)
Net income	-	-	-	266,886	266,886	-	-	-	-	266,886	(83,545)	183,341
Other comprehensive income (loss)	-	-	-	-	-	(516,742)	26,195	201	(490,346)	(490,346)	(48,349)	(538,695)
Total comprehensive income (loss)	-	-	-	266,886	266,886	(516,742)	26,195	201	(490,346)	(223,460)	(131,894)	(355,354)
Changes in ownership interests in subsidiaries												
\$	8,257,099	849	3,770,512	1,051,676	4,822,188	473,617	761,659	(23,361)	1,211,915	14,292,051	1,511,389	15,803,440

See accompanying notes to consolidated interim financial statements.

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TSRC CORPORATION AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

For the six months ended June 30, 2017 and 2016

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2017	2016
Cash flows from operating activities:		
Consolidated net income before tax	\$ 348,099	1,084,923
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	432,064	468,754
Amortization	72,389	85,709
Interest expense	106,304	78,273
Interest income	(25,080)	(22,408)
Dividend income	(22,628)	(48,193)
Share of loss (profit) of associates and joint ventures accounted for under equity method	(79,662)	26,984
Loss on disposal of property, plant and equipment	3,459	692
Gain on disposal of investments	(74,918)	-
Impairment loss on non-financial assets	280,000	-
Amortization of long-term prepaid rent	5,093	5,710
Total adjustments to reconcile profit and loss	697,021	595,521
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Notes receivable	(30,301)	(78,011)
Accounts receivable	(642,170)	(545,920)
Other receivable	26,294	7,362
Inventories	(1,399,093)	(303,045)
Other current assets	179,826	(37,405)
Total changes in operating assets, net	(1,865,444)	(957,019)
Net changes in operating liabilities:		
Accounts payable	5,409	78,716
Accounts payable to related parties	45,327	(12,257)
Other payable	(210,635)	(70,873)
Other current liabilities	(4,243)	(88,836)
Net defined benefit liability	357	(194,218)
Other operating liabilities	3,250	248
Total changes in operating liabilities, net	(160,535)	(287,220)
Total changes in operating assets and liabilities, net	(2,025,979)	(1,244,239)
Total adjustments	(1,328,958)	(648,718)
Cash used in operating activities	(980,859)	436,205
Interest income received	26,087	23,053
Interest paid	(99,548)	(74,823)
Income taxes paid	(178,771)	(238,723)
Net cash provided by (used in) operating activities	(1,233,091)	145,712
Cash flows from investing activities:		
Proceeds from disposal of available-for-sale financial assets	123,658	-
Acquisition of investments accounted for under equity method	-	(222,629)
Acquisition of property, plant and equipment	(248,374)	(212,278)
Proceeds from disposal of property, plant and equipment	181	736
Decrease in other non-current assets	18,567	4,816
Dividends received	22,628	16,971
Lose control of subsidiaries	(81,959)	-
Net cash used in investing activities	(165,299)	(412,384)
Cash flows from financing activities:		
Increase in short-term borrowings	19,775,895	8,486,480
Decrease in short-term borrowings	(17,833,638)	(7,193,627)
Increase in short-term commercial paper payable	3,087,970	1,168,421
Decrease in short-term commercial paper payable	(3,087,970)	(1,220,000)
Repayments of long-term borrowings	(196,443)	(916,428)
Decrease in finance lease liabilities	(3,245)	(3,207)
Cash dividends paid	(2,305)	(91,240)
Net cash provided by financing activities	1,740,264	230,399
Effects of changes in exchange rates	291,260	(201,360)
Net increase (decrease) in cash and cash equivalents	633,134	(237,633)
Cash and cash equivalents at beginning of period	3,508,340	3,981,288
Cash and cash equivalents at end of period	\$ 4,141,474	3,743,655

See accompanying notes to consolidated interim financial statements.

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Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2017 and 2016

TSRC CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

June 30, 2017 and 2016

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

(1) Organization and Business Scope

TSRC Corporation (the original name was Taiwan Synthetic Rubber Corporation, hereinafter referred to as "the Company") was incorporated in the Republic of China (ROC) on November 22, 1973, as a corporation limited by shares in accordance with the ROC Company Act. In May 1999, Taiwan Synthetic Rubber Corporation was renamed TSRC Corporation as approved by the stockholders' meeting. In June 2016, the Company changed its registered address is No.2, Singgong Rd., Dashe Dist., Kaohsiung City. The consolidated interim 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 interim financial statements were approved by the Board of Directors and published on August 3, 2017.

(3) New Standards, Interpretations and Amendments

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2017. The differences between the current and previous versions are as follows:

New, Revised or Amended Standards and Interpretations	Effective date per IASB
Amendments to IFRS 10, IFRS 12 and IAS 28 "Investment Entities: Applying the Consolidation Exception"	January 1, 2016
Amendments to IFRS 11 "Accounting for Acquisitions of Interests in Joint Operations"	January 1, 2016
IFRS 14 "Regulatory Deferral Accounts"	January 1, 2016
Amendment to IAS 1 "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

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TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

New, Revised or Amended Standards and Interpretations	Effective date per IASB
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 Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim 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:

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

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TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated interim 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. The actual impact of adopting IFRS 9 on the Group’s consolidated financial statements in 2018 can only be determined and reliably estimated depending on the financial instruments that the Group holds and economic conditions at that time, as well as the accounting elections and judgments that it will make in the future. The new standard will require the Group to revise its accounting processes and internal controls related to reporting financial instruments. However, the Group has performed a preliminary assessment of the potential impact of the adoption of IFRS 9 based on its positions at June 30, 2017 and hedging relationships designated under during the first half of 2017 under IAS 39.

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 preliminary assessment, the Group does not believe that the new classification requirements, if applied at June 30, 2017, would not have had a material impact on its accounting for trade receivables that are managed on a fair value basis. At June 30, 2017, the Group had equity investments classified as available-for-sale with a fair value of \$1,310,343 thousand. The Group has not yet made a decision whether to classify them as FVOCI or FVTPL as they first applied IFRS 9. In the former case, all fair value gains and losses would be reported in other comprehensive income, no impairment losses would be recognized in profit or loss and no gains or losses would be reclassified to profit or loss on disposal. In the latter case, all fair value gains and losses would be recognized in profit or loss as they arise, increasing volatility in the Group’s profits.

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.

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TSRC CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

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.

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-months 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's preliminary assessment indicated that application of IFRS 9 impairment requirements would not generate a material impact.

3) Disclosures

IFRS 9 will require extensive new disclosures, in particular about hedge accounting, credit risk and expected credit losses. The Group's preliminary 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 plans to 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 1 January 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.

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TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(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 goods are delivered to the customers, which is taken to be the point in time at which 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 in its consolidated interim financial statements using the retrospective approach. As a result, the Group will apply all of the requirements of IFRS 15 to each comparative period presented and adjust its consolidated interim financial statements.

The Group plans to use the practical expedients for completed contracts. This means that completed contracts that began and ended in the same comparative reporting period, as well as the contracts that are completed contracts at the beginning of the earliest period presented, are not 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 interim financial statements.

(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

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TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

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

Issuance / Release Dates	Standards or Interpretations	Content of amendment
January 13, 2016	IFRS 16 “Leases”	<p>The new standard of accounting for lease is amended as follows:</p> <ul style="list-style-type: none"> • 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”	<ul style="list-style-type: none"> • 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.

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.

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TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(4) Significant Accounting Policies

Except for the following, the significant accounting policies applied in these consolidated interim financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 4 to the consolidated financial statements for the year ended December 31, 2016.

(a) Statement of compliance

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

(b) Basis of consolidation

Except for note 6(f), the basis for consolidation applied in these consolidated interim financial statements is consistent with that applied in the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2016.

(c) Employee benefits

Pension cost for an interim period is calculated on a year-to-date basis by using the actuarially determined pension cost rate at the end of the prior fiscal year, adjusted for significant market fluctuations since that time and for significant curtailments, settlements, or other one-off events.

(d) Income tax

Income tax expense for the period is best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This is recognized fully as current tax expense.

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases shall be measured based on the tax rates that have been enacted or substantively enacted at the time the asset or liability is recovered or settled, and be recognized directly in equity or other comprehensive income as tax expense.

(5) Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of the consolidated interim financial statements in conformity with IAS 34 "Interim Financial Reporting", which was 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.

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TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

In preparation of the consolidated interim financial statements, estimates and underlying assumptions are consistent with the consolidated financial statements for the year ended December 31, 2016. For the related information, please refer to note 5 to the consolidated financial statements for the year ended December 31, 2016.

(6) Description of Significant Accounts

Except as explained below, there are no significant differences in the description of significant accounts from the consolidated financial statements for the year ended December 31, 2016, and the related information is provided in note 6 to the consolidated financial statements for the year ended December 31, 2016.

(a) Cash and cash equivalents

	June 30, 2017	December 31, 2016	June 30, 2016
Cash on hand	\$ 415	423	500
Checking and savings deposits	1,656,638	1,045,220	1,380,207
Time deposits	2,484,421	2,462,697	2,317,960
Commercial paper with reverse sell agreements	-	-	44,988
Cash and cash equivalents per statements of cash flow	<u>\$ 4,141,474</u>	<u>3,508,340</u>	<u>3,743,655</u>

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

	June 30, 2017	December 31, 2016	June 30, 2016
Listed stocks (domestic)	\$ 384,957	368,000	-
Unlisted stocks (domestic and overseas)	925,386	968,406	1,421,769
Total	<u>\$ 1,310,343</u>	<u>1,336,406</u>	<u>1,421,769</u>

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

	Foreign currency amount	Exchange rate	TWD
June 30, 2017			
THB	429,253	0.9002	386,413
December 31, 2016			
THB	416,715	0.9050	377,127
June 30, 2016			
THB	603,473	0.9226	556,763

The information on gain or loss on disposal of investments is provided in note 6(s).

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TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

The information on re-measurement gain or loss recognized in other comprehensive income is provided in note 6(n).

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

	June 30, 2017	December 31, 2016	June 30, 2016
Notes receivable	\$ 688,260	657,959	694,269
Accounts receivable	3,928,297	3,287,195	3,091,282
Other receivable	104,021	132,978	174,378
Less: allowance for impairment	<u>274</u>	<u>282</u>	<u>296</u>
	<u>\$ 4,720,304</u>	<u>4,077,850</u>	<u>3,959,633</u>

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

	June 30, 2017	December 31, 2016	June 30, 2016
Past due 0~30 days	\$ 62,591	58,018	63,834
Past due 31~120 days	<u>4,811</u>	<u>411</u>	<u>1,896</u>
	<u>\$ 67,402</u>	<u>58,429</u>	<u>65,730</u>

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

	Individually assessed impairment	Collectively assessed impairment	Total
Balance at January 1, 2017	\$ 282	-	282
Effect of changes in exchange rate	<u>(8)</u>	<u>-</u>	<u>(8)</u>
Balance at June 30, 2017	<u>\$ 274</u>	<u>-</u>	<u>274</u>
	<u>Individually assessed impairment</u>	<u>Collectively assessed impairment</u>	<u>Total</u>
Balance at January 1, 2016	\$ 1,536	-	1,536
Reversal of impairment loss	<u>(1,234)</u>	<u>-</u>	<u>(1,234)</u>
Effect of changes in exchange rate	<u>(6)</u>	<u>-</u>	<u>(6)</u>
Balance at June 30, 2016	<u>\$ 296</u>	<u>-</u>	<u>296</u>

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

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Notes to the Consolidated Interim Financial Statements

(d) Inventories

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

	June 30, 2017	December 31, 2016	June 30, 2016
Raw materials	\$ 1,851,702	1,900,495	1,337,132
Supplies	93,697	105,100	96,484
Work in progress	333,461	383,773	331,945
Finished goods	3,955,947	2,506,507	2,820,420
Merchandise	544,194	484,033	499,607
Total	<u>\$ 6,779,001</u>	<u>5,379,908</u>	<u>5,085,588</u>

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

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Loss on (reversal of) decline in market value of inventory	\$ 323,079	(36,967)	435,832	(79,740)
Income from sale of scrap	(19,809)	(14,384)	(35,152)	(26,750)
Loss on idle capacity	40,945	37,121	58,229	81,615
Total	<u>\$ 344,215</u>	<u>(14,230)</u>	<u>458,909</u>	<u>(24,875)</u>

The Group reversed the allowance for loss on inventory for the six months ended June 30, 2016, when the Group sold or used the inventories for which an allowance had been provided for the year ended December 31, 2015.

(e) Investments accounted for under equity method

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

	June 30, 2017	December 31, 2016	June 30, 2016
Associates	\$ 771,444	706,080	767,934
Joint ventures	311,352	530,674	597,580
	<u>\$ 1,082,796</u>	<u>1,236,754</u>	<u>1,365,514</u>

(i) Associates

For the three months ended June 30, 2017 and 2016 and the six months ended June 30, 2017 and 2016, the Group recognized its share of gain (loss) from the associates of \$32,189 thousand, \$35,811 thousand, \$86,305 thousand and \$(17,045) thousand, respectively.

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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		
			June 30, 2017	December 31, 2016	June 30, 2016
Indian Synthetic Rubber Private Limited	Strategic alliance of production and sales of synthetic rubber products	India	34.04 %	34.04 %	34.04 %
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 %	50.00 %

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

1) 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.

	June 30, 2017	December 31, 2016	June 30, 2016
Current assets	\$ 2,669,673	2,103,194	1,795,532
Non-current assets	3,905,075	4,269,941	4,313,067
Current liabilities	(3,419,816)	(3,033,333)	(4,625,943)
Non-current liabilities	(2,668,593)	(3,145,956)	(1,215,293)
Equity	<u>\$ 486,339</u>	<u>193,846</u>	<u>267,363</u>
Equity attributable to the Group	<u>\$ 165,550</u>	<u>65,985</u>	<u>91,010</u>

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	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Revenue	<u>\$ 1,511,258</u>	<u>802,259</u>	<u>2,993,059</u>	<u>1,298,612</u>
Net loss of continued operations	\$ 55,616	24,082	291,379	(39,791)
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<u>\$ 55,616</u>	<u>24,082</u>	<u>291,379</u>	<u>(39,791)</u>
Total comprehensive income attributable to the Group	<u>\$ 18,931</u>	<u>8,162</u>	<u>99,185</u>	<u>(11,000)</u>

	For the six months ended June 30	
	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	99,185	(11,000)
Capital increase	-	140,150
Other	3,518	(3,274)
Ending balance of the equity of the associate attributable to the Group	<u>\$ 179,381</u>	<u>100,281</u>

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

	December 31,		
	June 30, 2017	2016	June 30, 2016
Current assets	\$ 362,292	851,434	564,900
Non-current assets	976,861	1,061,494	1,172,043
Current liabilities	(1,005,155)	(1,540,580)	(1,339,568)
Non-current liabilities	(19,353)	(12,845)	(29,120)
Equity	<u>\$ 314,645</u>	<u>359,503</u>	<u>368,255</u>
Equity attributable to the Group	<u>\$ 157,323</u>	<u>179,752</u>	<u>184,127</u>

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Notes to the Consolidated Interim Financial Statements

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Revenue	<u>\$ 344,253</u>	<u>296,267</u>	<u>609,003</u>	<u>529,074</u>
Net loss of continued operations	\$ (17,542)	(14,613)	(34,618)	(76,765)
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<u>\$ (17,542)</u>	<u>(14,613)</u>	<u>(34,618)</u>	<u>(76,765)</u>
Total comprehensive income attributable to the Group	<u>\$ (8,771)</u>	<u>(7,306)</u>	<u>(17,309)</u>	<u>(38,382)</u>

	For the six months ended June 30	
	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	(17,309)	(38,382)
Other	(4,010)	(9,413)
Ending balance of the equity of the associate attributable to the Group	<u>\$ 159,240</u>	<u>187,696</u>

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

	June 30, 2017	December 31, 2016	June 30, 2016
Balance of not significant associate's equity	<u>\$ 432,823</u>	<u>448,843</u>	<u>479,957</u>

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Attributable to the Group:				
Income from continued operation	\$ 22,331	36,351	5,539	35,709
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 22,331</u>	<u>36,351</u>	<u>5,539</u>	<u>35,709</u>

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(ii) Joint ventures

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Balance of not significant joint venture's equity	\$ <u>311,352</u>	<u>530,674</u>	<u>597,580</u>
	<u>For the three months ended June 30</u>	<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u> <u>2016</u>
Attributable to the Group:			
Loss from continued operation	\$ (1,661)	(4,973)	(6,643) (9,939)
Other comprehensive income (loss)	-	-	- -
Total comprehensive income (loss)	\$ <u>(1,661)</u>	<u>(4,973)</u>	<u>(6,643)</u> <u>(9,939)</u>

The dissolution case of Taiwan Advance Material Corp. was approved by the Board of joint venture shareholders respectively in May, 2017. The dissolution case still needs to be report to Executive Yuan by another joint venture shareholder and approved by Executive Yuan. After that, the dissolution case has to be approved by the Annual Meeting of shareholders of Taiwan Advance Material Corporate then proceed the liquidation. As of June 30, 2017, the Group evaluated and recognized an impairment loss amounting to \$280,000 thousand, which was recorded under non-operating income and expenses -- other gain and loss.

(f) Lose control of subsidiaries

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

The carrying amount of assets and liabilities of Nantong Qix Storage Co., Ltd 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	<u>(8,954)</u>
Carrying amount of net assets	\$ <u>134,642</u>

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Notes to the Consolidated Interim Financial Statements

(g) Property, plant and equipment

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

	Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	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	-	-	-	360	46	-	240,375	240,781
Disposals	-	-	(1,775)	(68,171)	(166)	-	-	(70,112)
Reclassification	-	1,460	15,663	13,586	27,160	-	(276,034)	(218,165)
Effect of changes in exchange rates	-	(1,394)	(83,941)	(443,347)	(5,204)	-	(6,783)	(540,669)
Balance at June 30, 2017	<u>\$ 614,101</u>	<u>106,576</u>	<u>3,992,746</u>	<u>19,791,507</u>	<u>214,428</u>	<u>94,596</u>	<u>314,604</u>	<u>25,128,558</u>
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	-	-	-	2,112	115	-	185,991	188,218
Disposals	-	-	-	(11,281)	(4,584)	-	-	(15,865)
Reclassification	-	-	5,572	56,496	3,641	-	(66,560)	(851)
Effect of changes in exchange rates	-	(590)	(100,019)	(364,604)	(4,027)	-	(3,347)	(472,587)
Balance at June 30, 2016	<u>\$ 614,101</u>	<u>105,831</u>	<u>4,188,042</u>	<u>20,397,620</u>	<u>189,461</u>	<u>94,596</u>	<u>391,781</u>	<u>25,981,432</u>
Depreciation and impairment loss:								
Balance at January 1, 2017	\$ -	84,347	2,036,837	14,493,478	154,803	-	-	16,769,465
Depreciation	-	1,307	63,845	354,514	5,035	-	-	424,701
Disposal	-	-	(1,619)	(64,723)	(130)	-	-	(66,472)
Reclassification	-	-	(16,813)	(127,834)	(989)	-	-	(145,636)
Effect of changes in exchange rates	-	(1,364)	(35,814)	(302,585)	(4,314)	-	-	(344,077)
Balance at June 30, 2017	<u>\$ -</u>	<u>84,290</u>	<u>2,046,436</u>	<u>14,352,850</u>	<u>154,405</u>	<u>-</u>	<u>-</u>	<u>16,637,981</u>
Balance at January 1, 2016	\$ -	82,305	1,995,450	14,176,704	152,814	-	-	16,407,273
Depreciation	-	1,306	68,943	383,866	7,276	-	-	461,391
Disposal	-	-	-	(10,342)	(4,095)	-	-	(14,437)
Effect of changes in exchange rates	-	(576)	(40,122)	(213,225)	(3,130)	-	-	(257,053)
Balance at June 30, 2016	<u>\$ -</u>	<u>83,035</u>	<u>2,024,271</u>	<u>14,337,003</u>	<u>152,865</u>	<u>-</u>	<u>-</u>	<u>16,597,174</u>
Carrying value:								
January 1, 2017	\$ 614,101	22,163	2,025,962	5,795,601	37,789	94,596	357,046	8,947,258
June 30, 2017	<u>\$ 614,101</u>	<u>22,286</u>	<u>1,946,310</u>	<u>5,438,657</u>	<u>60,023</u>	<u>94,596</u>	<u>314,604</u>	<u>8,490,577</u>
January 1, 2016	\$ 614,101	24,116	2,287,039	6,538,193	41,502	94,596	275,697	9,875,244
June 30, 2016	<u>\$ 614,101</u>	<u>22,796</u>	<u>2,163,771</u>	<u>6,060,617</u>	<u>36,596</u>	<u>94,596</u>	<u>391,781</u>	<u>9,384,258</u>

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

(h) Investment property

There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's investment properties for the six months ended June 30, 2017 and 2016. The related information is provided in note 6(h) to the consolidated financial statements for the year ended December 31, 2016.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(h) to the consolidated financial statements for the year ended December 31, 2016.

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(i) Intangible assets

	Industrial technology and know- how	Computer software	Goodwill	Patent and trademark	Customer relationship	Total
Carrying value:						
January 1, 2017	\$ 658,326	14,615	221,719	496,638	788,639	2,179,937
June 30, 2017	\$ 599,188	44,421	209,060	456,336	713,258	2,022,263
January 1, 2016	\$ 737,795	23,497	227,125	535,194	873,815	2,397,426
June 30, 2016	\$ 689,886	14,780	221,767	509,897	821,007	2,257,337

There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's intangible assets for the six months ended June 30, 2017 and 2016. The amortization of intangible assets of the Group is provided in note 12(a), and the related information is provided in note 6(i) to the consolidated financial statements for the year ended December 31, 2016.

(j) Short-term and long-term borrowings

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

(i) Short-term borrowings

June 30, 2017		
	Range of interest rates (%)	Year of maturity
Unsecured loans	0.40~4.79	2017~2018
		\$ <u>8,330,594</u>
December 31, 2016		
	Range of interest rates (%)	Year of maturity
Unsecured loans	0.40~4.57	2017
		\$ <u>5,846,074</u>
June 30, 2016		
	Range of interest rates (%)	Year of maturity
Unsecured loans	0.40~4.60	2016~2017
		\$ <u>5,212,142</u>

As of June 30, 2017, December 31 and June 30, 2016, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to \$11,807,143 thousand, \$15,497,274 thousand, and \$18,091,679 thousand, respectively.

(ii) Short-term commercial paper payable

	June 30, 2017	December 31, 2016	June 30, 2016
Short-term commercial paper payable	\$ -	-	250,000
Less: discount on short-term commercial paper payable	-	-	161
Total	\$ <u>-</u>	<u>-</u>	<u>249,839</u>

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The interest rates of the Group's short-term commercial paper payable as of June 30, 2016, was 0.90% to 0.95%.

(iii) Long-term borrowings

June 30, 2017			
	Range of interest rates (%)	Year of maturity	Amount
Secured loans	2.61	2017~2018	\$ 389,581
Unsecured loans	1.44	2017~2019	<u>2,000,000</u>
Total			<u>\$ 2,389,581</u>
Current			\$ 1,189,581
Non-current			<u>1,200,000</u>
Total			<u>\$ 2,389,581</u>

December 31, 2016			
	Range of interest rates (%)	Year of maturity	Amount
Secured loans	2.30	2017~2018	\$ 619,757
Unsecured loans	1.44	2017~2019	<u>2,000,000</u>
Total			<u>\$ 2,619,757</u>
Current			\$ 813,171
Non-current			<u>1,806,586</u>
Total			<u>\$ 2,619,757</u>

June 30, 2016			
	Range of interest rates (%)	Year of maturity	Amount
Secured loans	1.99	2016~2018	\$ 826,522
Unsecured loans	1.46~1.47	2017~2019	<u>2,000,000</u>
Total			<u>\$ 2,826,522</u>
Current			\$ 413,261
Non-current			<u>2,413,261</u>
Total			<u>\$ 2,826,522</u>

For the six months ended June 30, 2017 and 2016, the Group repaid \$196,443 thousand and \$916,428 thousand, respectively, of its long-term borrowings. No significant loan agreements were entered into during the six months ended June 30, 2017 and 2016. As of June 30, 2017, the Group met the covenants of the syndicated loan. Please refer to note 6(k) to the consolidated financial statements for the year ended December 31, 2016, for the related information.

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In addition, no significant financial lease agreements were entered into, nor were there material repayments of finance lease liabilities. Please refer to note 6(k) to the consolidated financial statements for the year ended December 31, 2016, for the related information.

The Group has pledged its assets against the loans. Please refer to note 8 for additional information.

(k) 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	-	29,120	29,120
Provisions recognized	(32,509)	-	(32,509)
Reversal of unused provisions	-	(14,412)	(14,412)
Effect of changes in exchange rates	(1,090)	6	(1,084)
Balance at June 30, 2017	<u>\$ -</u>	<u>14,714</u>	<u>14,714</u>

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.

(l) Employee benefits

(i) Defined benefit plans

The Group allocates the pension fund in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and contributed \$187,810 thousand to the Bank of Taiwan labor pension reserve account. Since there were no significant market fluctuations, curtailments, settlements, or other one-off events after the prior financial year ended, the Group adopted the pension cost rate from the actuarial valuation as of December 31, 2016 and 2015.

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

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Operating costs	\$ 1,449	2,066	2,915	4,160
Operating expenses	916	1,187	1,814	2,345
	<u>\$ 2,365</u>	<u>3,253</u>	<u>4,729</u>	<u>6,505</u>

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(ii) Defined contribution plans

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

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Operating costs	\$ 19,316	19,077	38,339	36,425
Operating expenses	9,467	9,335	19,155	18,812
	<u>\$ 28,783</u>	<u>28,412</u>	<u>57,494</u>	<u>55,237</u>

(m) Income tax

Income tax expense was best estimated by multiplying pretax income for the interim reporting period by the effective tax rate as forecasted by the management.

The components of income tax expense were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Current income tax expense				
Current period	\$ (23,041)	220,497	156,342	311,372
Adjustment for prior periods	8,416	(4,540)	8,416	339
Income tax expenses on continuing operations	<u>\$ (14,625)</u>	<u>215,957</u>	<u>164,758</u>	<u>311,711</u>

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

The components of unappropriated earnings were as follows:

	June 30, 2017	December 31, 2016	June 30, 2016
Derived from year 1997 and prior years	\$ 1,637	1,637	1,637
Derived from year 1998 and thereafter	1,050,039	1,707,699	1,468,818
	<u>\$ 1,051,676</u>	<u>1,709,336</u>	<u>1,470,455</u>
		December 31, 2016	June 30, 2016
Balance of imputation credit account (ICA)	<u>\$ 98,293</u>	<u>93,274</u>	<u>185,026</u>

The imputation tax credit ratio of earnings to be distributed in 2017 is estimated at 5.76%. The actual imputation tax credit ratio of earnings distributed in 2016 was 10.32%.

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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.

(n) Capital and other equity

Except as explained in the following paragraphs, there were no significant changes in the capital and other equity during the six months ended June 30, 2017 and 2016. Please refer to note 6(p) to the consolidated financial statements for the year ended December 31, 2016, for the related information.

(i) Retained earnings — earnings distribution

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.

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:

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

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TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(ii) Other equities

	Foreign exchange differences arising from foreign	Available- for-sale financial assets	Effective portion of cash flow hedges	Total
Balance as of January 1, 2017	\$ 990,359	735,464	(23,562)	1,702,261
Foreign exchange differences arising from foreign operation	(542,597)	-	-	(542,597)
Share of other comprehensive income of associates accounted for under equity method, exchange differences on translation	25,855	-	-	25,855
Unrealized gains (losses) from available-for-sale financial assets	-	26,195	-	26,195
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	201	201
Balance as of June 30, 2017	<u>\$ 473,617</u>	<u>761,659</u>	<u>(23,361)</u>	<u>1,211,915</u>
Balance as of January 1, 2016	\$ 1,672,819	899,902	-	2,572,721
Foreign exchange differences arising from foreign operation	(355,322)	-	-	(355,322)
Share of other comprehensive income of associates accounted for under equity method, exchange differences on translation	(8,092)	-	-	(8,092)
Unrealized gains (losses) from available-for-sale financial assets	-	(79,089)	-	(79,089)
Balance as of June 30, 2016	<u>\$ 1,309,405</u>	<u>820,813</u>	<u>-</u>	<u>2,130,218</u>

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TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(o) 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

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Net income attributable to common shareholders of the Company	\$ <u>(86,792)</u>	<u>461,038</u>	<u>266,886</u>	<u>685,847</u>
Weighted-average number of common shares	<u>825,710</u>	<u>825,710</u>	<u>825,710</u>	<u>825,710</u>
Basic earnings per share (in NT dollars)	\$ <u>(0.11)</u>	<u>0.56</u>	<u>0.32</u>	<u>0.83</u>

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Net income attributable to common shareholders of the Company (diluted)	\$ <u>(86,792)</u>	<u>461,038</u>	<u>266,886</u>	<u>685,847</u>
Weighted-average number of common shares (basic)	825,710	825,710	825,710	825,710
Impact of potential common shares				
Effect of employees' bonuses	-	855	484	1,274
Weighted-average number of shares outstanding (diluted)	<u>825,710</u>	<u>826,565</u>	<u>826,194</u>	<u>826,984</u>
Diluted earnings per share (in NT dollars)	\$ <u>(0.11)</u>	<u>0.56</u>	<u>0.32</u>	<u>0.83</u>

(p) Revenue

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Sale of goods	\$ 8,352,855	7,063,451	17,100,859	13,172,050
Service income	<u>9,806</u>	<u>10,709</u>	<u>20,636</u>	<u>19,511</u>
	<u>\$ 8,362,661</u>	<u>7,074,160</u>	<u>17,121,495</u>	<u>13,191,561</u>

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Notes to the Consolidated Interim Financial Statements

(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 three months and six months ended June 30, 2017 and 2016, the estimated amounts of employees' bonuses were \$(8,873) thousand, \$15,500 thousand, \$2,805 thousand and \$25,300 thousand, respectively, and the estimated amounts of directors' remuneration were \$(1,391) thousand, \$5,000 thousand, \$2,805 thousand and \$6,704 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. The differences between the estimated amounts and those recognized in the financial statements approved by the Board of Directors and announced to the public, if any, shall be accounted for as a change in accounting estimate and recognized in profit or loss in the next year.

For the years ended December 31, 2016 and 2015, the Company estimated its employees' compensation were \$35,219 thousand and \$28,010 thousand, respectively, and the estimated amounts of directors' remuneration were \$11,180 thousand and \$3,199 thousand, respectively. There are no differences between the estimated amounts and those recognized in the financial statements approved by the Board of Directors and announced to the public. For further information, please refer to Market Observation Post System.

(r) Other income and expenses

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Rental income	\$ 19,913	19,609	36,181	35,231
Royalty income	20,502	9,807	29,819	20,160
Net service income	1,143	4,006	3,257	5,705
Depreciation of investment properties	(3,681)	(3,681)	(7,363)	(7,363)
Net other income	11,663	3,270	28,418	7,536
	<u>\$ 49,540</u>	<u>33,011</u>	<u>90,312</u>	<u>61,269</u>

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(s) Non-operating income and expenses

(i) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2016	2016
Dividend income	\$ 22,628	48,193	22,628	48,193
Foreign exchange loss, net	6,921	(1,146)	14,899	(17,550)
Loss on disposal of property, plant and equipment, net	(207)	(275)	(3,459)	(692)
Impairment loss on non-financial assets	(280,000)	-	(280,000)	-
Gains on disposal of investments	74,918	-	74,918	-
Others	4,051	721	4,980	734
	<u>\$ (171,689)</u>	<u>47,493</u>	<u>(166,034)</u>	<u>30,685</u>

(ii) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Interest expenses	<u>\$ 55,658</u>	<u>40,272</u>	<u>106,304</u>	<u>78,273</u>

(t) Financial instruments

Except as noted below, there were no significant changes in the Group's exposure to credit risk, currency risk, and market risk due to financial instruments. Please refer to note 6(w) to the consolidated financial statements for the year ended December 31, 2016.

(i) Liquidity risk

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

	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
June 30, 2017						
Non-derivative financial liabilities						
Short-term debts	\$ 8,401,030	7,538,843	862,187	-	-	-
Accounts payable (including related parties)	1,832,427	1,832,427	-	-	-	-
Dividend payable	874,968	874,968	-	-	-	-
Other payables	802,406	802,406	-	-	-	-
Long-term debts (including current portion)	2,739,040	610,649	607,548	815,812	705,031	-
Provision for guarantee liabilities – non-current	2,205,493	-	516,293	675,680	-	1,013,520
	<u>\$ 16,855,364</u>	<u>11,659,293</u>	<u>1,986,028</u>	<u>1,491,492</u>	<u>705,031</u>	<u>1,013,520</u>

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	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2016						
Non-derivative financial liabilities						
Short-term debts	\$ 5,883,220	5,397,964	485,256	-	-	-
Accounts payable (including related parties)	1,782,112	1,782,112	-	-	-	-
Dividend payable	51,563	51,563	-	-	-	-
Other payables	915,970	915,970	-	-	-	-
Long-term debts (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
	<u>\$ 13,005,750</u>	<u>8,904,834</u>	<u>1,108,422</u>	<u>1,454,979</u>	<u>805,750</u>	<u>731,765</u>
June 30, 2016						
Non-derivative financial liabilities						
Short-term debts	\$ 5,255,045	4,904,432	350,613	-	-	-
Short-term commercial paper payable	250,000	250,000	-	-	-	-
Accounts payable (including related parties)	1,421,076	1,421,076	-	-	-	-
Dividend payable	924,734	924,734	-	-	-	-
Other payables	760,525	760,525	-	-	-	-
Long-term debts (including current portion)	2,912,217	230,308	226,422	1,240,852	1,214,635	-
Provision for guarantee liabilities—non-current	2,925,079	1,206,851	556,255	-	1,161,973	-
	<u>\$ 14,448,676</u>	<u>9,697,926</u>	<u>1,133,290</u>	<u>1,240,852</u>	<u>2,376,608</u>	<u>-</u>

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

(ii) Currency risk

1) Risk exposure

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
June 30, 2017			
Financial assets:			
Monetary assets:			
USD	\$ 55,538	30.4360	1,690,355
EUR	\$ 19,951	34.7336	692,970
JPY	\$ 123,260	0.2716	33,477
CNY	\$ 6,626	4.4895	29,747
Financial liabilities:			
Monetary liabilities:			
USD	\$ 89,113	30.4360	2,712,243
EUR	\$ 17,201	34.7336	597,453
JPY	\$ 97,315	0.2716	26,431

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	Foreign currency	Exchange rate	NTD
December 31, 2016			
Financial assets:			
Monetary assets:			
USD	\$	38,789	32.2790
EUR	\$	13,698	33.9100
JPY	\$	52,093	0.2758
CNY	\$	11,083	4.6190
Financial liabilities:			
Monetary liabilities:			
USD	\$	76,903	32.2790
EUR	\$	13,363	33.9100
JPY	\$	50,587	0.2758
CNY	\$	25	4.6190
June 30, 2016			
Financial assets:			
Monetary assets:			
USD	\$	45,035	32.2860
EUR	\$	14,554	35.8900
JPY	\$	112,623	0.3145
CNY	\$	53,081	4.8370
Financial liabilities:			
Monetary liabilities:			
USD	\$	61,981	32.2860
EUR	\$	18,834	35.8900
JPY	\$	47,574	0.3145

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the USD, EUR, CNY and JPY had appreciated/depreciated by 1% the Group's net income before tax would have increase/decreased by \$8,896 thousand and \$4,235 thousand for the six months ended June 30, 2017 and 2016, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

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 \$14,899 thousand and \$(17,550) thousand.

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2) 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 \$107,202 thousand and \$80,387 thousand for the six months ended June 30, 2017 and 2016, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

(iii) Fair value

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued 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.

	June 30, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic listed stocks	\$ 384,957	384,957	-	-	384,957
Domestic (Oversea) unlisted stocks	925,386	-	925,386	-	925,386
Subtotal	<u>1,310,343</u>	<u>384,957</u>	<u>925,386</u>	<u>-</u>	<u>1,310,343</u>
Loans and receivables					
Cash and cash equivalents	4,141,474	-	-	-	-
Accounts and notes receivable	4,616,283	-	-	-	-
Other receivables	<u>104,021</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>8,861,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>\$10,172,121</u></u>	<u><u>384,957</u></u>	<u><u>925,386</u></u>	<u><u>-</u></u>	<u><u>1,310,343</u></u>

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		June 30, 2017				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial liabilities measured at amortized cost						
Short-term borrowings	\$ 8,330,594	-	-	-	-	-
Long-term borrowings (including current portion)	2,389,581	-	-	-	-	-
Accounts payables (including related parties)	1,832,427	-	-	-	-	-
Dividend payable	874,968	-	-	-	-	-
Other payables	802,406	-	-	-	-	-
Total	<u>\$14,229,976</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
		December 31, 2016				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Available-for-sale financial assets						
Domestic listed stocks	\$ 368,000	368,000	-	-	-	368,000
Domestic (Oversea) unlisted stocks	968,406	-	968,406	-	-	968,406
Subtotal	<u>1,336,406</u>	<u>368,000</u>	<u>968,406</u>	<u>-</u>	<u>-</u>	<u>1,336,406</u>
Loans and receivables						
Cash and cash equivalents	3,508,340	-	-	-	-	-
Accounts and notes receivable	3,944,872	-	-	-	-	-
Other receivables	132,978	-	-	-	-	-
Subtotal	<u>7,586,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 8,922,596</u>	<u>368,000</u>	<u>968,406</u>	<u>-</u>	<u>-</u>	<u>1,336,406</u>
Financial liabilities measured at amortized cost						
Short-term borrowings	\$ 5,846,074	-	-	-	-	-
Long-term borrowings (including current portion)	2,619,757	-	-	-	-	-
Accounts payables (including related parties)	1,782,112	-	-	-	-	-
Dividend payable	51,563	-	-	-	-	-
Other payables	915,970	-	-	-	-	-
Total	<u>\$11,215,476</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

(Continued)

TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

		June 30, 2016			
		Fair value			
	Carrying amount	Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Domestic (Overseas) unlisted stocks	\$ 1,421,769	-	1,421,769	-	1,421,769
Loans and receivables					
Cash and cash equivalents	3,743,655	-	-	-	-
Accounts and notes receivable	3,785,255	-	-	-	-
Other receivables	174,378	-	-	-	-
Subtotal	7,703,288	-	-	-	-
Total	<u>\$ 9,125,057</u>	<u>-</u>	<u>1,421,769</u>	<u>-</u>	<u>1,421,769</u>
Financial liabilities measured at amortized cost					
Short-term borrowings	\$ 5,212,142	-	-	-	-
Short-term notes and bills payable	249,839	-	-	-	-
Long-term borrowings (including current portion)	2,826,522	-	-	-	-
Accounts payables (including related parties)	1,421,076	-	-	-	-
Dividend payable	924,734	-	-	-	-
Other payables	760,525	-	-	-	-
Total	<u>\$11,394,838</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

2) Valuation techniques and assumptions used in fair value determination

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

(u) Financial risk management

The objectives and policies of the Group's financial risk management are the same as those in note 6(x) to the consolidated financial statements for the year ended December 31, 2016.

(Continued)

TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(v) Capital management

The objectives, policies, and procedures of the Group's capital management are the same as those in the consolidated financial statements for the year ended December 31, 2016. There were no material changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2016. For further information, please refer to note 6(y) to the consolidated financial statements for the year ended December 31, 2016.

(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:

<u>Name of related party</u>	<u>Relationship with the Group</u>
Indian Synthetic Rubber Private Limited	The Group recognized associates under equity method
Arlanxo-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:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Associates	\$ <u>24,242</u>	<u>-</u>	<u>24,242</u>	<u>-</u>

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

(Continued)

TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(ii) Purchases

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

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Associates	\$ (11)	-	812	-
Others	146,614	139,213	366,879	146,696
	<u>\$ 146,603</u>	<u>139,213</u>	<u>367,691</u>	<u>146,696</u>

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

(iii) Service income and expenses

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

	For the three months ended June 30		For the six months ended June 30	
	2017	2016	2017	2016
Associates				
Indian Synthetic Rubber Private Limited	\$ 10,448	(600)	16,981	1,845
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	30,416	30,880	54,090	61,961
Other related parties				
Nantong Chemical & Light Industry Co., Ltd.	151	-	552	171
Others	-	-	-	36
	<u>\$ 41,015</u>	<u>30,280</u>	<u>71,623</u>	<u>64,013</u>

(Continued)

TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

(iv) Receivable from related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
	Associates			
Other receivable	Indian Synthetic Rubber Private Limited	\$ 14,828	10,072	64,140
Other receivable	Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	17,183	47,211	13,817
	Joint ventures			
Other receivable	Others	242	-	-
		<u>\$ 32,253</u>	<u>57,283</u>	<u>77,957</u>

(v) Payable to related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Accounts payable	Other related parties	\$ 47,862	2,535	938

(vi) Guarantees

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Associates			
Indian Synthetic Rubber Private Limited	\$ 1,689,199	1,161,721	1,807,048
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	516,294	531,185	1,118,031
	<u>\$ 2,205,493</u>	<u>1,692,906</u>	<u>2,925,079</u>

(Continued)

TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

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

	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Associates			
Indian Synthetic Rubber Private Limited	\$ 24,933	22,151	21,084
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	1,917	807	3,569
	<u>\$ 26,850</u>	<u>22,958</u>	<u>24,653</u>

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<u>For the three months ended June 30</u>	<u>For the six months ended June 30</u>		
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Short-term employee benefits	\$ 27,442	22,918	54,855	46,037
Post-employment benefits	262	2,400	521	2,702
	<u>\$ 27,704</u>	<u>25,318</u>	<u>55,376</u>	<u>48,739</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2017</u>	<u>December 31, 2016</u>	<u>June 30, 2016</u>
Restricted savings deposits (recorded as other non-current assets)	Guarantee for bank loans	\$ 2,600	3,700	4,107
Restricted savings deposits (recorded as other non-current assets)	Deposit for safety production	4,092	5,638	4,404
		<u>\$ 6,692</u>	<u>9,338</u>	<u>8,511</u>

(9) Commitments and Contingencies

- (a) As of June 30, 2017, December 31 and June 30, 2016, the Group's unused letters of credit outstanding for purchases of materials were \$1,399,728 thousand, \$2,115,893 thousand, and \$806,505 thousand, respectively.

(Continued)

TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

- (b) As of June 30, 2017, December 31 and June 30, 2016, the Group's signed construction and design contracts with several factories totaled \$92,775 thousand, \$78,378 thousand, and \$76,117 thousand, respectively, of which \$41,978 thousand, \$43,013 thousand, and \$37,255 thousand, respectively, were paid.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Others

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

By function By nature	Three months ended June 30, 2017			Three months ended June 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	220,732	148,694	369,426	225,921	147,890	373,811
Labor and health insurance	20,205	14,097	34,302	19,748	13,408	33,156
Pension	20,765	10,383	31,148	21,143	10,522	31,665
Others	26,720	10,888	37,608	37,568	28,629	66,197
Depreciation	180,320	31,374	211,694	180,092	47,019	227,111
Amortization	600	36,293	36,893	1,887	40,318	42,205

By function By nature	Six months ended June 30, 2017			Six months ended June 30, 2016		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	447,588	300,184	747,772	449,340	285,111	734,451
Labor and health insurance	40,472	28,727	69,199	39,560	27,266	66,826
Pension	41,254	20,969	62,223	40,585	21,157	61,742
Others	62,004	36,057	98,061	70,769	53,798	124,567
Depreciation (note 1)	362,714	61,987	424,701	386,998	74,393	461,391
Amortization	2,946	69,443	72,389	3,809	81,900	85,709

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 \$3,681 thousand, \$3,681 thousand, \$7,363 thousand and \$7,363 thousand for the three months and six months ended June 30, 2017 and 2016, respectively, were excluded.

- (b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

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TSRC CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

(13) Other Disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:

Unit: thousand dollars

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 7)	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	67,343	67,343	-	3.915%	2	-	Operating capital	-		-	166,837 (Note 1)	333,673 (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 100.00% 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: 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 5: 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 Mainland China
		Name	Relationship with the company										
0	TSRC	TSRC (USA) Investment Corporation	3	(Note 2)	973,952	973,952	389,581	-	6.81 %	(Note 3)	Y		
0	TSRC	Arlanxeo TSRC (Nantong) Chemical Industries Co., Ltd	6	(Note 2)	1,032,588	516,294	492,748	-	3.61 %	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,689,199	1,689,199	945,951	-	11.82 %	(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 \$21,438,077 thousand.

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

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TSRC CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

(iii) Securities held as of June 30, 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	Taiwan High Speed Rail Corporation	-	Available-for-sale financial assets – non-current	15,126,000	384,957	0.27 %	384,957	
TSRC	Evergreen Steel Corporation	-	Available-for-sale financial assets – non-current	12,148,000	283,899	3.00 %	283,899	
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Available-for-sale financial assets – non-current	599,999	161,279	5.42 %	161,279	
TSRC	Hsin-Yung Enterprise Corporation	-	Available-for-sale financial assets – non-current	5,657,000	255,074	3.90 %	255,074	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Available-for-sale financial assets – non-current	837,552	225,134	7.57 %	225,134	
TSRC Biotech Ltd.	Pulse Metric Inc.	-	Available-for-sale financial assets – non-current	312,500	-	6.23 %	(note 1)	
TSRC Biotech Ltd.	CytoPharm, Inc.	-	Available-for-sale financial assets – non-current	95,108	-	0.17 %	(note 1)	
					<u>1,310,343</u>		<u>1,310,343</u>	

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

- (iv) Individual securities acquired or disposed of with accumulated amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (v) Acquisition of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vi) Disposal of individual real estate with amount exceeding the lower of NT\$300 million or 20% of the capital stock: None.
- (vii) Related-party transactions for purchases and sales with amounts exceeding the lower of NT\$300 million or 20% of the capital stock:

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-UBE (Nantong) Industries Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd.	Purchase	267,073	14.47 %	14 days	-		(47,862)	(10.97) %	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	267,312	60.76 %	40 days	-		(40,015)	(67.91) %	
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(267,312)	(10.75) %	40 days	-		40,015	5.12 %	
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industries Co., Ltd.	Related parties	Purchase	113,692	25.84 %	40 days	-		(17,619)	(29.90) %	
Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(113,692)	(2.39) %	40 days	-		17,619	1.16 %	
TSRC-UBE (Nantong) Industries Ltd.	Shen Hua Chemical Industries Co., Ltd.	Related parties	Purchase	271,309	14.70 %	90 days	-		(130,651)	(29.95) %	
Shen Hua Chemical Industries Co., Ltd.	TSRC-UBE (Nantong) Industries Ltd.	Related parties	Sale	(271,309)	(5.71) %	90 days	-		130,651	8.63 %	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	551,990	38.41 %	90 days	-		(169,357)	(29.27) %	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(551,990)	(25.87) %	90 days	-		169,357	35.42 %	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	828,591	57.65 %	70 days	-		(380,069)	(65.69) %	
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(828,591)	(33.32) %	70 days	-		380,069	48.61 %	

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

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TSRC CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

(viii) Receivables from related parties with amounts exceeding the lower of NT\$100 million or 20% of the capital stock:

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		
Shen Hua Chemical Industries Co., Ltd.	TSRC-UBE (Nantong) Industries Ltd.	Related parties	130,651	8.31	-		-	-
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	380,069	5.30	-		107,475	-
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	169,357	8.23	-		25,236	-

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

Note 2: Until August 3, 2017.

(ix) Trading in derivative instruments: None.

(x) Business relationships and significant intercompany transactions:

Unit: thousand dollars

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Sales revenue	42,575	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.25 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	25,601	"	0.15 %
0	TSRC	TSRC (Lux.) Corporation S.'a.r.l.	1	Sales revenue	57,342	"	0.33 %
0	TSRC	Polybus Corporation Pte Ltd	1	Sales revenue	43,084	"	0.25 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	20,098	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.12 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3	Sales revenue	41,552	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.24 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	267,312	"	1.56 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Accounts receivable	40,015	"	0.13 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	3	Sales revenue	828,591	"	4.84 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	3	Accounts receivable	380,069	"	1.21 %
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	105,951	"	0.62 %
1	TSRC (Nantong) Industries Ltd.	Dexco Polymers L.P.	3	Sales revenue	78,784	"	0.46 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	3	Sales revenue	551,990	The transaction is not significantly different from normal transactions, and the collection terms were about three months	3.22 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	3	Accounts receivable	169,357	"	0.54 %

(Continued)

TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
3	Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	113,692	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.66 %
3	Shen Hua Chemical Industries Co., Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Sales revenue	271,309	The transaction is not significantly different from normal transactions, and the collection terms were about three months	1.58 %
3	Shen Hua Chemical Industries Co., Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Accounts receivable	130,651	//	0.42 %
4	TSRC (Lux.) Corporation S.a.r.l.	TSRC	2	Other income and expenses	25,345	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.15 %
5	TSRC-UBE (Nantong) Industries Ltd.	TSRC	2	Sales revenue	33,941	The transaction is not significantly different from normal transactions, and the collection terms were about one month	0.20 %
6	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Sales revenue	19,997	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.12 %
0	TSRC	TSRC(USA)Investment Corporation	1	Note 4	973,952	-	-

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 interim financial statements.

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2017 (excluding information on investees in Mainland China):

Unit: thousand dollars

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income (losses) of investee	Investment income (losses)	Remarks
				June 30, 2017	December 31, 2016	Shares	Percentage of ownership	Book value			
TSRC	Trimurti Holding Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B V I	Investment corporation	1,005,495	1,005,495	86,920,000	100.00 %	11,683,942	366,342	366,612	Subsidiary
TSRC	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 %	788,449	7,305	7,305	Subsidiary
TSRC	Dymns 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 %	159,289	6,622	1,290	Subsidiary (note 2)
TSRC	Taiwan Advanced Material 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 %	244,031	(20,759)	(6,643)	-
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	100 Peck Seah Street #09-16 Singapore 079333	International commerce and investment corporation	1,981,414 (USD65,101)	1,981,414 (USD65,101)	105,830,000	100.00 %	6,922,565	177,550	176,440	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited	15/F Boc Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation	2,369,443 (USD77,850)	2,369,443 (USD77,850)	77,850,000	100.00 %	3,014,879	102,417	102,417	Indirectly owned subsidiary

(Continued)

TSRC CORPORATION AND ITS SUBSIDIARIES

Notes to the Consolidated Interim Financial Statements

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income (losses) of investee	Investment income (losses)	Remarks
				June 30, 2017	December 31, 2016	Shares	Percentage of ownership	Book value			
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	853,578 (USD28,045)	853,578 (USD28,045)	151,705,125	34.04 %	179,381	291,379	99,185	-
TSRC (HONG KONG) Limited	TSRC (Larv) Corporation S.à.r.l	34-36 avenue de la Liberté, L-1930, Larvembourg	International commerce and investment corporation	1,764,467 (EUR50,800)	1,764,467 (EUR50,800)	50,800,000	100.00 %	2,553,010	72,442	72,442	Indirectly owned subsidiary
TSRC (Larv) Corporation S.à.r.l	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, County of New Castle, Wilmington, Delaware, USA	Investment corporation	2,132,042 (USD70,050)	2,132,042 (USD70,050)	100	100.00 %	2,459,419	27,856	27,856	Indirectly owned subsidiary
TSRC (USA) Investment Corporation	Dexco Polymers L.P	12012 Wickchester Lane, Suite 280, Houston, TX, USA	Production and sale of synthetic rubber products	5,862,491 (USD192,617)	5,862,491 (USD192,617)	-	100.00 %	1,520,259	141,115	141,115	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	1,522 (USD50)	1,522 (USD50)	50,000	100.00 %	105,942	2,299	2,299	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	146,062 (USD4,799)	146,062 (USD4,799)	4,798,566	80.52 %	679,734	6,622	5,332	Indirectly owned subsidiary
Hardison International Corporation	TSRC Biotech Ltd	Hb Fl., Harbour Centre, P.O. BOX 613, George Town, Grand Cayman, Cayman Islands	Investment corporation	91,917 (USD3,020)	91,917 (USD3,020)	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	343,470 (USD11,285)	343,470 (USD11,285)	7,522,337	37.78 %	432,823	14,662	5,539	-

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.436; EUR1 to NTD34.7336).

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 interim financial statements.

(c) Information on investment in Mainland China:

(i) The names of investees in Mainland China, the main businesses and products, and other information:

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2017	Investment flow during current period		Cumulative investment (amount) from Taiwan as of June 30, 2017	Net income (losses) 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	1,254,572 (USD41,220)	(2)a	-	-	-	-	(138,848)	65.44 %	(90,862)	1,732,955	4,579,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	703,072 (USD23,100)	(2)c	116,631 (USD3,832)	-	-	116,631 (USD3,832)	52,044	28.34 %	(14,749)	462,468	-
TSRC (Shanghai) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products	167,398 (USD5,500)	(2)b	119,309 (USD3,920)	-	-	119,309 (USD3,920)	32,231	100.00 %	32,231	333,673	-
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	91,308 (USD3,000)	(2)d	45,654 (USD1,500)	-	-	45,654 (USD1,500)	4,468	50.00 %	2,234	67,321	-
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,217,440 (USD40,000)	(2)a	30,436 (USD1,000)	-	-	30,436 (USD1,000)	(83,983)	55.00 %	(46,191)	739,641	-
TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	2,103,889 (USD69,125)	(2)a	202,339 (USD6,648)	-	-	202,339 (USD6,648)	315,018	100.00 %	315,018	3,514,229	-
Atlantico-TSRC (Nantong) Chemical Industries Co., Ltd. (Note 6)	Production and sale of NRB	1,363,533 (USD44,800)	(2)a	-	-	-	-	(34,618)	50.00 %	(18,419)	159,240	-

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: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.436).

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of June 30, 2017	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	514,369 (USD16,900)	4,606,032 (USD151,335) (Note 2)	- (Note 1)

(Continued)

TSRC CORPORATION AND ITS SUBSIDIARIES
Notes to the Consolidated Interim Financial Statements

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 NTD30.436).

(iii) Significant transactions:

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

(14) Segment Information:

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

	Synthetic rubber services department	Non-synthetic rubber services department	Others	Adjustments or eliminations	Total
Three months ended June 30, 2017					
Revenue:					
Revenue from external customers	\$ <u>8,166,663</u>	<u>186,192</u>	<u>9,806</u>	-	<u>8,362,661</u>
Income from operations	\$ <u>(1,352)</u>	<u>(25,360)</u>	<u>(193,701)</u>	<u>24,211</u>	<u>(196,202)</u>
Three months ended June 30, 2016					
Revenue:					
Revenue from external customers	\$ <u>6,831,083</u>	<u>232,368</u>	<u>10,709</u>	-	<u>7,074,160</u>
Income from operations	\$ <u>631,548</u>	<u>36,581</u>	<u>41,708</u>	<u>33,853</u>	<u>743,690</u>
six months ended June 30, 2017					
Revenue:					
Revenue from external customers	\$ <u>16,749,395</u>	<u>351,464</u>	<u>20,636</u>	-	<u>17,121,495</u>
Income from operations	\$ <u>545,468</u>	<u>(6,404)</u>	<u>(198,577)</u>	<u>7,612</u>	<u>348,099</u>
six months ended June 30, 2016					
Revenue:					
Revenue from external customers	\$ <u>12,764,078</u>	<u>407,972</u>	<u>19,511</u>	-	<u>13,191,561</u>
Income from operations	\$ <u>960,073</u>	<u>54,482</u>	<u>34,065</u>	<u>36,303</u>	<u>1,084,923</u>

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation but does not include information on the segment asset, so no such information is disclosed.