

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

**TSRC CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Six Months Ended June 30, 2018 and 2017**

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

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## Independent Auditors' Review Report

To the Board of Directors  
TSRC Corporation:

### Introduction

We have reviewed the accompanying consolidated balance sheets of TSRC Corporation (the "Company") and its subsidiaries (together referred to as the "Group") as of June 30, 2018 and 2017, the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2018 and 2017, as well as the changes in equity and cash flows for the six months ended June 30, 2018 and 2017, and notes to the consolidated financial statements, including a summary of significant accounting policies. The management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standards ("IASs") 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our review.

### Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standards 65, "Review of Financial Information Performed by the Independent Auditor of the Entity". A review of the consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the generally accepted auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$3,250,602 thousand and \$3,628,288 thousand, constituting 11% and 12% of the consolidated total assets; and the total liabilities amounting to \$822,197 thousand and \$1,231,181 thousand, constituting 6% and 8% of the consolidated total liabilities at June 30, 2018 and 2017, respectively; as well as the total comprehensive income (loss) amounting to \$(52,180) thousand, \$(8,230) thousand, \$57,007 thousand and \$(31,860) thousand, constituting (8)%, 33%, 6% and 9% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2018 and 2017, respectively.

Furthermore, as stated in Note 6(h), the other equity accounted investments of the Group in its investee companies of \$1,008,020 thousand and \$1,082,796 thousand at June 30, 2018 and 2017, respectively, and its equity in net earnings on these investee companies of \$72,294 thousand, \$30,528 thousand, \$102,414 thousand and \$79,662 thousand for the three months and six months ended June 30, 2018 and 2017, respectively, were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

### **Qualified Conclusion**

Except for the adjustments, if any, as might have been determined to be necessary had the financial statements of certain consolidated subsidiaries and equity accounted investee companies described in the Basis for Qualified Conclusion paragraph above been reviewed by independent auditors, based on our reviews, nothing has come to our attention that causes us to believe that the accompanying consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Group as at June 30, 2018 and 2017, and of its consolidated financial performance for the three months and six months ended June 30, 2018 and 2017, as well as its consolidated cash flows for the six months ended June 30, 2018 and 2017 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and IASs 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

KPMG

Taipei, Taiwan (Republic of China)  
August 10, 2018

### **Notes to Readers**

The accompanying consolidated 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 financial statements are those generally accepted and applied in the Republic of China.

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

(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
Reviewed only, not audited in accordance with the generally accepted auditing standards as of June 30, 2018 and 2017

**TSRC CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**June 30, 2018, December 31, and June 30, 2017**

(Expressed in Thousands of New Taiwan Dollars)

	June 30, 2018		December 31, 2017		June 30, 2017		June 30, 2018		December 31, 2017		June 30, 2017	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>												
<b>Current assets:</b>												
1100 Cash and cash equivalents (note 6(a))	\$ 4,101,128	14	3,560,440	12	4,141,474	13	2100					
1110 Financial assets at fair value through profit or loss—current (note 6(b))	5,958	-	-	-	-	-	2322					
1150 Notes receivable, net (note 6(c))	879,528	3	909,467	3	688,260	2	2120					
1170 Accounts receivable, net (note 6(c))	3,333,914	11	2,907,588	10	3,928,023	13						
1200 Other receivable (notes 6(f) and 7)	135,096	-	76,088	-	104,021	-	2170					
1220 Current income tax assets	21,962	-	38,795	-	92,185	-	2180					
130x Inventories (note 6(g))	5,892,302	20	6,040,680	21	6,779,001	22	2216					
1479 Other current assets	538,420	2	380,569	1	425,336	1	2230					
<b>Total current assets</b>	<b>14,908,308</b>	<b>50</b>	<b>13,913,622</b>	<b>47</b>	<b>16,158,300</b>	<b>51</b>	<b>2399</b>					
<b>Non-current assets:</b>												
1517 Financial assets at fair value through other comprehensive income—non-current (note 6(c))	1,215,496	4	-	-	-	-						
1523 Available-for-sale financial assets—non-current (notes 6(e) and 6(d))	-	-	1,120,121	4	1,310,343	4	2541					
1550 Investments accounted for under equity method (notes 6(h), 7 and 11)	1,008,020	3	1,123,944	4	1,082,796	4	2570					
1600 Property, plant and equipment (notes 6(i) and 9)	8,547,054	29	8,538,709	29	8,490,577	27	2600					
1760 Investment property (note 6(j))	1,603,687	5	1,611,050	6	1,618,412	5						
1780 Intangible assets (note 6(k))	1,910,234	6	1,942,350	7	2,022,263	7						
1840 Deferred income tax assets	258,587	1	292,498	1	296,720	1						
1900 Other non-current assets (note 8)	432,813	2	437,042	2	447,170	1	3100					
<b>Total non-current assets</b>	<b>14,975,891</b>	<b>50</b>	<b>15,085,714</b>	<b>53</b>	<b>15,268,281</b>	<b>49</b>	<b>3200</b>					
<b>Equity attributable to shareholders of the company (note 6(p)):</b>												
Common stock	-	-	-	-	-	-						
Capital surplus	8,257,099	28	8,257,099	29	8,257,099	26						
Retained earnings:	41,043	-	41,043	-	849	-						
Legal reserve	-	-	-	-	-	-						
Unappropriated earnings	3,857,922	13	3,770,512	13	3,770,512	12						
	1,409,512	5	1,661,324	6	1,051,676	3						
	5,267,434	18	5,431,836	19	4,822,188	15						
<b>Other equity:</b>												
Financial statement translation differences for foreign operations	666,997	2	512,008	2	473,617	2						
Unrealized gain on financial assets measured at fair value through other comprehensive income	717,940	2	-	-	-	-						
Unrealized gain on valuation of available-for-sale financial assets	-	-	623,809	2	761,659	2						
Gain (loss) on effective portion of cash flow hedges	10,890	-	11,721	-	(23,361)	-						
	1,395,827	4	1,147,538	4	1,211,915	4						
	14,961,403	50	14,877,516	52	14,292,051	45						
	1,626,076	6	1,565,930	5	1,511,389	5						
	16,587,479	56	16,443,446	57	15,803,440	50						
<b>Total equity attributable to shareholders of the company</b>	<b>29,884,199</b>	<b>100</b>	<b>28,999,341</b>	<b>100</b>	<b>31,426,581</b>	<b>100</b>						
<b>Non-controlling interests</b>												
<b>Total equity</b>	<b>\$ 29,884,199</b>	<b>100</b>	<b>\$ 28,999,341</b>	<b>100</b>	<b>\$ 31,426,581</b>	<b>100</b>						
<b>Total liabilities and equity</b>												

See accompanying notes to consolidated financial statements.



(English Translation of Consolidated Financial Statements and Report Originally Issued in Chinese)  
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TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months and six months ended June 30, 2018 and 2017

(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			
	2018		2017		2018		2017	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Revenue (notes 6(s), 6(t) and 7)	\$ 7,693,782	100	8,362,661	100	15,210,771	100	17,121,495	100
5000 Operating costs (notes 6(g), 6(i), 6(m), 6(n), 6(r) and 7)	6,720,792	87	7,861,790	94	13,236,547	87	15,574,799	91
5910 Gross profit	972,990	13	500,871	6	1,974,224	13	1,546,696	9
6000 Operating expenses (notes 6(e), 6(i), 6(n), 6(r) and 7):								
6100 Selling expenses	250,645	3	235,361	3	495,445	3	465,378	3
6200 General and administrative expenses	277,386	4	238,181	3	525,697	4	478,445	3
6300 Research and development expenses	85,038	1	89,218	1	168,125	1	177,490	1
6450 Expected credit losses for bad debt expense	18	-	-	-	6,799	-	-	-
Total operating expenses	613,087	8	562,760	7	1,196,066	8	1,121,313	7
6500 Other income and expenses, net (notes 6(u) and 7)	63,076	1	49,540	1	114,872	1	90,312	1
6900 Operating profit (loss)	422,979	6	(12,349)	-	893,030	6	515,695	3
Non-operating income and expenses (notes 6(h) and 6(v)):								
7100 Interest income	18,834	-	12,966	-	33,558	-	25,080	-
7020 Other gains and losses	31,340	-	(171,689)	(2)	39,319	-	(166,034)	(1)
7050 Finance costs	(40,729)	(1)	(55,658)	-	(76,312)	(1)	(106,304)	-
7770 Share of gain of associates and joint ventures accounted for under equity method	72,294	1	30,528	-	102,414	1	79,662	-
7140 Gains from bargain purchase	11,583	-	-	-	11,583	-	-	-
Total non-operating income and expenses	93,322	-	(183,853)	(2)	110,562	-	(167,596)	(1)
7900 Net income (loss) before tax	516,301	6	(196,202)	(2)	1,003,592	6	348,099	2
7950 Less: Tax expense (note 6(o))	109,761	1	(14,625)	-	322,124	2	164,758	1
Net income (loss)	406,540	5	(181,577)	(2)	681,468	4	183,341	1
8300 Other comprehensive income (loss):								
8310 Components of other comprehensive income that will not be reclassified to profit or loss								
8316 Unrealized gains from investments in equity instruments measured at fair value through other comprehensive income	105,795	1	-	-	94,131	1	-	-
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
Components of other comprehensive income that will not be reclassified to profit or loss	105,795	1	-	-	94,131	1	-	-
8360 Items that may be reclassified subsequently to profit or loss								
8361 Financial statements translation differences for foreign operations	204,885	3	211,152	2	178,634	1	(590,946)	(3)
8362 Unrealized gains (losses) on valuation of available-for-sale financial assets	-	-	(22,817)	-	-	-	26,195	-
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for under equity method	(41,560)	-	(31,714)	-	(17,518)	-	26,056	-
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	163,325	3	156,621	2	161,116	1	(538,695)	(3)
8300 Other comprehensive income (loss), net of tax	269,120	4	156,621	2	255,247	2	(538,695)	(3)
Total comprehensive income	\$ 675,660	9	(24,956)	-	936,715	6	(355,354)	(2)
Net income (loss) attributable to:								
8610 Shareholders of parent	\$ 391,918	5	(86,792)	(1)	628,280	4	266,886	1
8620 Non-controlling interests	14,622	-	(94,785)	(1)	53,188	-	(83,545)	-
	\$ 406,540	5	(181,577)	(2)	681,468	4	183,341	1
Total comprehensive income attributable to:								
8710 Shareholders of parent	\$ 677,660	9	39,368	-	876,569	6	(223,460)	(1)
8720 Non-controlling interests	(2,000)	-	(64,324)	-	60,146	-	(131,894)	(1)
	\$ 675,660	9	(24,956)	-	936,715	6	(355,354)	(2)
9710 Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(q))	\$ 0.47		(0.11)		0.76		0.32	

See accompanying notes to consolidated financial statements.

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# TSRC CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Changes in Equity

For the six months ended June 30, 2018 and 2017

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total other equity interest		Total equity		
	Retained earnings			Capital surplus	Legal reserve	Unappropriated retained earnings	Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Unrealized gains (losses) on available-for-sale financial assets	Gains (losses) on effective portion of cash flow hedges	Total	Total equity attributable to owners of parent		Non-controlling interests	
	Common stock														
\$	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
Balance at January 1, 2017	-	-	-	-	98,836	(98,836)	-	-	-	-	-	-	-	-	-
Appropriation and distribution:	-	-	-	-	-	(825,710)	(825,710)	-	-	-	-	-	(825,710)	-	(825,710)
Legal reserve	-	-	-	-	-	266,886	266,886	-	-	-	-	-	266,886	(83,545)	183,341
Cash dividends	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net income	-	-	-	-	-	-	-	(516,742)	-	26,195	201	(490,346)	(490,346)	(48,349)	(538,695)
Other comprehensive income (loss)	-	-	-	-	-	266,886	266,886	(516,742)	-	26,195	201	(490,346)	(490,346)	(131,894)	(355,354)
Total comprehensive income (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	(67,321)	(67,321)
Changes in ownership interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at June 30, 2017	8,257,099	-	-	849	3,770,512	1,051,076	4,822,188	473,617	-	761,659	(23,361)	1,211,915	14,293,051	1,511,389	15,803,440
Balance at January 1, 2018	8,257,099	-	-	41,043	3,770,512	1,661,324	5,431,836	512,008	-	623,809	11,721	1,147,538	14,877,516	1,565,930	16,443,446
Effects of retrospective application	-	-	-	-	-	29,848	29,848	-	593,961	(623,809)	-	(29,848)	-	-	-
Equity at beginning of period after adjustments	8,257,099	-	-	41,043	3,770,512	1,691,172	5,461,684	512,008	593,961	-	11,721	1,117,690	14,877,516	1,565,930	16,443,446
Appropriation and distribution:	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	87,410	(87,410)	-	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	-	-	(792,682)	(792,682)	-	-	-	-	-	(792,682)	-	(792,682)
Net income	-	-	-	-	-	628,280	628,280	-	-	-	-	-	628,280	53,188	681,468
Other comprehensive income (loss)	-	-	-	-	-	-	-	154,989	94,131	-	(831)	248,289	248,289	6,958	255,247
Total comprehensive income (loss)	-	-	-	-	-	628,280	628,280	154,989	94,131	-	(831)	248,289	248,289	60,146	936,715
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	-	-	29,848	-	-	29,848	-	-	-
Balance at June 30, 2018	8,257,099	-	-	41,043	3,857,922	1,409,512	5,267,434	666,997	717,940	-	10,890	1,395,827	14,961,403	1,626,076	16,587,479

See accompanying notes to consolidated financial statements.

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**TSRC CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Cash Flows**

**For the six months ended June 30, 2018 and 2017**

(Expressed in Thousands of New Taiwan Dollars)

	<b>For the six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 1,003,592	348,099
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	437,988	432,064
Amortization	74,965	72,389
Expected credit losses for bad debt expense	6,799	-
Interest expense	76,312	106,304
Interest income	(33,558)	(25,080)
Dividend income	(22,628)	(22,628)
Share of profit of associates and joint ventures accounted for under equity method	(102,414)	(79,662)
Loss on disposal of property, plan and equipment	402	3,459
Gains on disposal of investments	-	(74,918)
Impairment loss on non-financial assets	-	280,000
Amortization of long-term prepaid rent	4,970	5,093
Gains from bargain purchase	(11,583)	-
Total adjustments to reconcile profit and loss	431,253	697,021
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	(5,958)	-
Notes receivable	29,939	(30,301)
Accounts receivable	(433,125)	(642,170)
Other receivable	(8,653)	26,294
Inventories	148,378	(1,399,093)
Other current assets	(157,851)	179,826
Total changes in operating assets, net	(427,270)	(1,865,444)
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(216)	-
Accounts payable	(70,005)	5,409
Accounts payable—related parties	(34,726)	45,327
Other payable	(187,169)	(210,635)
Other current liabilities	11,399	(4,243)
Net defined benefit liability	(59,009)	357
Other operating liabilities	(1,075)	3,250
Total changes in operating liabilities, net	(340,801)	(160,535)
Total changes in operating assets and liabilities, net	(768,071)	(2,025,979)
Total adjustments	(336,818)	(1,328,958)
Cash provided by (used in) operating activities	666,774	(980,859)
Interest income received	33,678	26,087
Interest paid	(75,433)	(99,548)
Income taxes paid	(179,799)	(178,771)
Net cash provided by (used in) operating activities	445,220	(1,233,091)
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of available-for-sale financial assets	-	123,658
Acquisition of investments accounted for under equity method	(42,184)	-
Acquisition of property, plant and equipment	(427,479)	(248,374)
Proceeds from disposal of property, plant and equipment	265	181
Decrease in other non-current assets	(332)	18,567
Dividends received	22,628	22,628
Other investing activities (Proceeds from capital repayments of investments accounted for under equity method/Loss control of subsidiaries)	232,109	(81,959)
Net cash used in investing activities	(214,993)	(165,299)
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	20,092,922	19,775,895
Decrease in short-term borrowings	(21,661,948)	(17,833,638)
Increase in short-term commercial paper payable	1,119,523	3,087,970
Decrease in short-term commercial paper payable	(1,470,000)	(3,087,970)
Proceeds from long-term borrowings	1,943,118	-
Repayments of long-term borrowings	(400,000)	(196,443)
Increase in other long-term borrowings	499,006	-
Decrease in finance lease liabilities	(3,282)	(3,245)
Cash dividends paid	(495)	(2,305)
Net cash provided by financing activities	118,844	1,740,264
Effect of exchange rate changes on cash and cash equivalents	191,617	291,260
Net increase in cash and cash equivalents	540,688	633,134
Cash and cash equivalents at beginning of period	3,560,440	3,508,340
Cash and cash equivalents at end of period	\$ 4,101,128	4,141,474

See accompanying notes to consolidated financial statements.



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## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

June 30, 2018 and 2017

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

#### (1) Organization and Business Scope

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

#### (2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were approved by the Board of Directors and published on August 10, 2018.

#### (3) New Standards, Interpretations and Amendments:

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
IFRIC 22 "Foreign Currency Transactions and Advance Consideration"	January 1, 2018

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

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

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

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

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

1) Sales of goods

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

2) Impacts on financial statements

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

(ii) IFRS 9 "Financial Instruments"

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

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## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

#### 1) Classification of financial assets and financial liabilities

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

The adoption of IFRS 9 did not have any significant impact on its accounting policies on financial liabilities.

#### 2) Impairment of financial assets

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

#### 3) Transition

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

- Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 are recognized in retained earnings and reserves as on January 1, 2018. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9 and therefore is not comparable to the information presented for 2018 under IFRS 9.

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

- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  - The designation of certain investments in equity instruments not held for trading as at FVOCI.

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

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

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

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

Note 2: Notes receivables, accounts receivables and other receivables that were classified as loans and receivables under IAS 39 are now classified at amortized cost.

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

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

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

(iii) Amendments to IAS 7 "Disclosure Initiative"

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

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

(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, 2019 in accordance with Ruling No. 1070324857 issued by the FSC on July 17, 2018:

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

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

(i) IFRS 16 "Leases"

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

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

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## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

The Group has completed an initial assessment of the potential impact on its consolidated financial statements, wherein the detailed assessment has yet to be completed. The actual impact of applying IFRS 16 on its financial statements in the period of initial application will depend on future economic conditions, including the Group's discounting rate, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options, and the extent to which the Group chooses to use practical expedients and recognition exemptions.

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

#### 1) Determining whether an arrangement contains a lease

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

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

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

#### 2) Transition

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

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

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

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

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

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

(ii) IFRIC 23 Uncertainty over Income Tax Treatments

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

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

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

(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 have yet to be endorsed by the FSC:

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

**(4) Significant Accounting Policies**

Except for the following, the significant accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to note 4 to the consolidated financial statements for the year ended December 31, 2017.

(a) Statement of compliance

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

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

(b) Basis of consolidation

The basis for consolidation applied in these consolidated financial statements is consistent with that applied in the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2017.

List of the subsidiaries included in the consolidated financial statements

Name of investor	Name of investee	Scope of business	Percentage of ownership			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
TSRC	Trimurti Holding Corporation	Investment	100.00 %	100.00 %	100.00 %	
TSRC	Hardison International Corporation	Investment	100.00 %	100.00 %	100.00 %	(note 5)
TSRC & Hardison International Corporation	Dymas Corporation	Investment	100.00 %	100.00 %	100.00 %	(note 1), (note 5)
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	International commerce and investment	100.00 %	100.00 %	100.00 %	
Trimurti Holding Corporation	TSRC (HONG KONG) Limited	Investment	100.00 %	100.00 %	100.00 %	
TSRC (HONG KONG) Limited	TSRC (Shanghai) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products	100.00 %	100.00 %	100.00 %	(note 5)
TSRC (HONG KONG) Limited	TSRC (Lux.) Corporation S.'a.r.l.	International commerce and investment	100.00 %	100.00 %	100.00 %	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (USA) Investment Corporation	Investment	100.00 %	100.00 %	100.00 %	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	Production and sale of synthetic rubber products	100.00 %	100.00 %	100.00 %	(note 2)
Polybus Corporation Pte Ltd.	Shen Hua Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	65.44 %	65.44 %	65.44 %	
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	55.00 %	55.00 %	55.00 %	(note 5)
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	100.00 %	100.00 %	100.00 %	
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00 %	100.00 %	100.00 %	(note 5)

(Continued)

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

Name of investor	Name of investee	Scope of business	Percentage of ownership			Description
			June 30, 2018	December 31, 2017	June 30, 2017	
Hardison International Corporation	TSRC Biotech Ltd.	Investment	- %	100.00 %	100.00 %	(note 4)
Triton International Holdings Corporation	Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	50.00 %	50.00 %	50.00 %	(note 3)

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

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

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

Note 4: TSRC Biotech Ltd. completed its dissolution procedure in June 2018.

Note 5: It is an insignificant subsidiary, and its financial statements have not been reviewed.

Note 6: In May 2018, the Board of Directors decided to establish a subsidiary in Vietnam. As of June 30, 2018, the prepayments for investment amounted to \$7,964 thousand, and the registration procedure has yet to be completed.

(c) Financial instruments (applicable from January 1, 2018)

(i) Financial assets

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

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

1) Financial assets measured at amortized cost

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

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

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

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

2) Fair value through other comprehensive income (FVOCI )

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

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

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

3) Fair value through profit or loss (FVTPL)

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

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

4) Impairment of financial assets

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

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## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

5) **Derecognition of financial assets**

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

(ii) **Derivative financial instruments and hedge accounting**

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

(d) **Investment in associates**

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

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

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

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

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

(i) Sale of goods

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

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

(ii) Management services

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

(iii) Financing components

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

(f) 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.

(g) 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.

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

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 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.

In preparation of the consolidated financial statements, estimates and underlying assumptions are consistent with the consolidated financial statements for the year ended December 31, 2017. For the related information, please refer to note 5 to the consolidated financial statements for the year ended December 31, 2017.

**(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, 2017, and the related information is provided in note 6 to the consolidated financial statements for the year ended December 31, 2017.

**(a) Cash and cash equivalents**

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Cash on hand	\$ 443	435	415
Checking and savings deposits	1,411,060	1,037,168	1,656,638
Time deposits	<u>2,689,625</u>	<u>2,522,837</u>	<u>2,484,421</u>
Cash and cash equivalents per statements of cash flow	<u>\$ 4,101,128</u>	<u>3,560,440</u>	<u>4,141,474</u>

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward contracts/Swap contracts		\$ <u>5,958</u>	
Financial liabilities held for trading:			
Derivative instruments not used for hedging			
Forward contracts	\$ <u>10</u>	<u>226</u>	<u>-</u>

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**TSRC CORPORATION AND SUBSIDIARIES**  
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The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. As of June 30, 2018 and December 31, 2017, the Group reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting.

Forward contracts / Swap contracts:

<b>June 30, 2018</b>			
	<b>Contract amount (thousand)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward contracts	\$ 119	EUR/TWD	2018.9.14
Forward contracts	5,300	JPY/TWD	2018.9.18
Swap contracts	13,600	USD/EUR	2018.7.19~2018.9.20

  

<b>December 31, 2017</b>			
	<b>Contract amount (thousand)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward contracts	\$ 650	EUR/TWD	2018.1.18~2018.3.21
Forward contracts	200	EUR/USD	2018.1.24

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

	<b>June 30, 2018</b>
Equity investments at fair value through other comprehensive income:	
Listed stocks (domestic)	\$ 239,024
Unlisted stocks (domestic and overseas)	976,472
Total	<u>\$ 1,215,496</u>

(i) Equity investments at fair value through other comprehensive income

The Group held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income. These investments were classified as available-for-sale financial assets — non-current on December 31 and June 30, 2017.

In January 2018, the Group disposed all of its shares in Pulse Metric, Inc. due to the investee had no substantial operation. The shares disposed had no fair value; therefore the Group realized a loss of \$29,848 thousand, and recognized in other comprehensive income. The loss had been transferred to retained earnings.

(ii) For credit risk and market risk, please refer to note 6(w).

(iii) The Group did not hold any collateral for the collectible amounts.

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- (iv) The significant financial assets at fair value through other comprehensive income denominated in foreign currency were as follows:

	<u>Foreign currency amount</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>June 30, 2018</b>			
THB	\$ 382,382	0.9237	353,206

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

	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Listed stocks (domestic)	\$ 235,024	384,957
Unlisted stocks (domestic and overseas)	885,097	925,386
Total	<u>\$ 1,120,121</u>	<u>1,310,343</u>

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

	<u>Foreign currency amount</u>	<u>Exchange rate</u>	<u>TWD</u>
<b>December 31, 2017</b>			
THB	\$ 343,722	0.9176	315,399
<b>June 30, 2017</b>			
THB	429,253	0.9002	386,413

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

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Notes receivable	\$ 879,528	909,467	688,260
Accounts receivable	3,341,055	2,907,867	3,928,297
Less: loss allowance	7,141	279	274
	<u>\$ 4,213,442</u>	<u>3,817,055</u>	<u>4,616,283</u>

(Continued)

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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables on June 30, 2018. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due, as well as incorporated forward-looking information. The expected credit losses as of June 30, 2018 was determined as follows:

	Gross carrying amount	Weighted- average expected credit loss rate	Loss allowance provision
Current	\$ 4,103,484	0.02%~0.33%	950
1 to 30 days past due	106,841	0.45%~16.31%	4,053
31 to 90 days past due	9,977	5.98%~32.62%	1,857
More than 90 days past	281	100%	281
	<u>\$ 4,220,583</u>		<u>7,141</u>

As of December 31 and June 30, 2017, the Group applies the incurred loss model to consider the loss allowance provision of notes and trade receivable, and the aging analysis of notes and trade receivable, which were past due but not impaired, was as follows:

	December 31, 2017	June 30, 2017
1 to 30 days past due	\$ 99,033	62,591
31 to 120 days past due	-	4,811
	<u>\$ 99,033</u>	<u>67,402</u>

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

	For the six months ended June 30, 2018	For the six months ended June 30, 2017	Individually assessed impairment	Collectively assessed impairment
Balance at January 1, 2018 and 2017 per IAS 39	\$ 279	282	-	-
Adjustment on initial application of IFRS 9	-			
Balance at January 1, 2018 per IFRS 9	279			
Impairment loss recognized	6,799	-	-	-
Foreign exchange gains (losses)	63	(8)	-	-
Balance at June 30, 2018 and 2017	<u>\$ 7,141</u>	<u>274</u>	<u>-</u>	<u>-</u>

The Group did not hold any collateral for the collectible amounts.

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**TSRC CORPORATION AND SUBSIDIARIES**  
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(f) Other receivables (including related parties)

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Other receivables — related parties	\$ 43,251	55,120	32,253
Other	91,845	20,968	71,768
	<u><b>\$ 135,096</b></u>	<u><b>76,088</b></u>	<u><b>104,021</b></u>

As of June 30, 2018, December 31 and June 30, 2017, the Group had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management's assessment. For other credit risk information, please refers to note 6(w).

(g) Inventories

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

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Raw materials	\$ 1,356,168	1,905,394	1,851,702
Supplies	97,613	98,738	93,697
Work in progress	333,180	335,606	333,461
Finished goods	3,478,490	3,114,627	3,955,947
Merchandise	626,851	586,315	544,194
Total	<u><b>\$ 5,892,302</b></u>	<u><b>6,040,680</b></u>	<u><b>6,779,001</b></u>

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Loss on (reversal of) decline in market value of inventory	\$ (33,260)	323,079	(15,110)	435,832
Income from sale of scrap	(13,709)	(19,809)	(27,408)	(35,152)
Loss on idle capacity	1,920	40,945	1,920	58,229
Total	<u><b>\$ (45,049)</b></u>	<u><b>344,215</b></u>	<u><b>(40,598)</b></u>	<u><b>458,909</b></u>

The Group reversed the allowance for loss on inventory for the six months ended June 30, 2018, when the Group sold or used the inventories for which an allowance had been provided for the year ended December 31, 2017.

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(h) Investments accounted for under equity method

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Associates	\$ 621,078	805,561	771,444
Joint ventures	<u>386,942</u>	<u>318,383</u>	<u>311,352</u>
	<u>\$ 1,008,020</u>	<u>1,123,944</u>	<u>1,082,796</u>

(i) Associates

For the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017, the Group recognized its share of gain from the associates of \$30,874 thousand, \$32,189 thousand, \$60,236 thousand and \$86,305 thousand, respectively.

The details of the significant associates are as follows:

Name of associates	Existing relationship with the Group	The main operating place / register country	Proportion of equity and voting right		
			June 30, 2018	December 31, 2017	June 30, 2017
Indian Synthetic Rubber Private Limited	Strategic alliance of production and sales of synthetic rubber products	India	50.00 % (Note 1)	34.04 %	34.04 %
Arlanxeo-TSRC (Nantong) Chemicals Industries Co., Ltd.	Strategic alliance of production and sales of NRB	China	50.00 %	50.00 %	50.00 %

Note 1: Indian Synthetic Rubber Private Limited has been reclassified from associate to joint venture from April 2018.

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**TSRC CORPORATION AND SUBSIDIARIES**  
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A summary of the financial information of the significant associate were as follows:

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

On April 10, 2018, the Group acquired 15.96% ownership of Indian Synthetic Rubber Private Limited from other shareholders, and the Group recognized the gain from bargain purchase amounting to \$11,583 thousand. After the acquisition transaction, the Group owns 50% of Indian Synthetic Rubber Private Limited, which has been reclassified from associate to joint venture, but still listed as investments accounted for under equity method.

	<b>December 31,</b>		<b>June 30, 2017</b>	
	<b>2017</b>			
Current assets	\$	2,523,989		2,669,673
Non-current assets		3,779,641		3,905,075
Current liabilities		(3,788,115)		(3,419,816)
Non-current liabilities		(1,958,847)		(2,668,593)
Equity	\$	<u>556,668</u>		<u>486,339</u>
Equity attributable to the Group	\$	<u>189,490</u>		<u>165,550</u>

  

	<b>For the three months</b>		<b>For the six months</b>	
	<b>ended June 30</b>		<b>ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>(Note 2)</b>			
Revenue	\$ -	<u>1,511,258</u>	<u>1,324,113</u>	<u>2,993,059</u>
Net income of continued operations	\$ -	55,616	36,141	291,379
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	\$ -	<u>55,616</u>	<u>36,141</u>	<u>291,379</u>
Total comprehensive income attributable to the Group	\$ -	<u>18,931</u>	<u>12,303</u>	<u>99,185</u>

Note 2: For information on revenue and profit or loss for the three month ended June 30, 2018, please refer to the description of joint ventures.

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	<b>For the six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>
Beginning equity of the associate attributable to the Group	\$ 205,093	76,678
Current total comprehensive income of the associate attributable to the Group	12,303	99,185
Other	(4,109)	3,518
Associate reclassified to joint venture	(213,287)	-
Ending balance of the equity of the associate attributable to the Group	<u>\$ -</u>	<u>179,381</u>

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

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Current assets	\$ 1,030,198	524,169	362,292
Non-current assets	896,547	942,114	976,861
Current liabilities	(1,504,125)	(1,082,863)	(1,005,155)
Non-current liabilities	(20,921)	(22,024)	(19,353)
Equity	<u>\$ 401,699</u>	<u>361,396</u>	<u>314,645</u>
Equity attributable to the Group	<u>\$ 200,849</u>	<u>180,698</u>	<u>157,323</u>

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Revenue	<u>\$ 527,393</u>	<u>344,253</u>	<u>962,804</u>	<u>609,003</u>
Net income (loss) of continued operations	\$ 21,908	(17,542)	38,937	(34,618)
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<u>\$ 21,908</u>	<u>(17,542)</u>	<u>38,937</u>	<u>(34,618)</u>
Total comprehensive income attributable to the Group	<u>\$ 10,955</u>	<u>(8,771)</u>	<u>19,469</u>	<u>(17,309)</u>

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**TSRC CORPORATION AND SUBSIDIARIES**  
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	<b>For the six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>
Beginning equity of the associate attributable to the Group	\$ 181,347	180,559
Current total comprehensive income of the associate attributable to the Group	19,469	(17,309)
Other	2,913	(4,010)
Ending balance of the equity of the associate attributable to the Group	<u>\$ 203,729</u>	<u>159,240</u>

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

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Balance of not significant associate's equity	<u>\$ 417,349</u>	<u>419,121</u>	<u>432,823</u>

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Attributable to the Group:				
Income from continued operation	\$ 19,919	22,331	28,464	5,539
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 19,919</u>	<u>22,331</u>	<u>28,464</u>	<u>5,539</u>

(ii) Joint ventures

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

	<b>June 30, 2018</b>
Current assets	\$ 2,222,537
Non-current assets	3,639,312
Current liabilities	(2,326,667)
Non-current liabilities	(2,852,573)
Equity	<u>\$ 682,609</u>
Equity attributable to the Group	<u>\$ 341,304</u>

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	<b>For the three months ended June 30, 2018</b>	<b>For the six months ended June 30, 2018</b>
Revenue	\$ <u>980,038</u>	<u>980,038</u>
Net income of continued operations	\$ 117,981	117,981
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	\$ <u>117,981</u>	<u>117,981</u>
Total comprehensive income attributable to the Group	\$ <u>41,175</u>	<u>41,175</u>

	<b>For the six months ended June 30, 2018</b>
Beginning equity of the joint venture attributable to the Group	\$ -
Joint venture reclassified from associate	213,287
Current total comprehensive income of the joint venture attributable to the Group	41,175
Other	44,895
Ending balance of the equity of the joint venture attributable to the Group	\$ <u>299,357</u>

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

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Balance of not significant joint venture's equity	\$ <u>87,585</u>	<u>318,383</u>	<u>311,352</u>

	<b>For the three months ended June 30</b>	<b>For the six months ended June 30</b>		
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Attributable to the Group:				
Income (loss) from continued operation	\$ 245	(1,661)	1,003	(6,643)
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	\$ <u>245</u>	<u>(1,661)</u>	<u>1,003</u>	<u>(6,643)</u>

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A resolution to liquidate Taiwan Advance Material Corp. was made during the shareholders meeting, wherein the approval from the Ministry of Economic Affairs was granted in October 2017. As of June 30, 2018, part of the capital repayment amounting to \$232,109 thousand had been received. The liquidation procedure has yet to be completed.

3) The unreviewed financial statements of investments accounted for using equity method

Investments were accounted for by the equity method, and the share of profit or loss and other comprehensive income of those investments were calculated based on the financial statements that have not been reviewed.

(i) 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
<b>Cost:</b>								
Balance at January 1, 2018	\$ 614,101	106,131	4,048,091	19,944,375	217,074	94,596	566,082	25,590,450
Additions	-	-	-	2,892	188	-	383,754	386,834
Disposals	-	-	-	(10,974)	(135)	-	-	(11,109)
Reclassification	-	199	6,698	173,648	6,935	-	(192,160)	(4,680)
Effect of changes in exchange rates	-	493	15,233	118,069	1,443	-	1,612	136,850
Balance at June 30, 2018	<u>\$ 614,101</u>	<u>106,823</u>	<u>4,070,022</u>	<u>20,228,010</u>	<u>225,505</u>	<u>94,596</u>	<u>759,288</u>	<u>26,098,345</u>
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>
<b>Depreciation and impairment loss:</b>								
Balance at January 1, 2018	\$ -	85,133	2,134,269	14,652,082	160,257	-	-	17,031,741
Depreciation	-	1,231	66,679	356,627	6,088	-	-	430,625
Disposal	-	-	-	(10,347)	(95)	-	-	(10,442)
Effect of changes in exchange rates	-	486	6,997	90,606	1,278	-	-	99,367
Balance at June 30, 2018	<u>\$ -</u>	<u>86,850</u>	<u>2,207,945</u>	<u>15,088,968</u>	<u>167,528</u>	<u>-</u>	<u>-</u>	<u>17,551,291</u>
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>
<b>Carrying value:</b>								
January 1, 2018	\$ 614,101	20,998	1,913,822	5,292,293	56,817	94,596	566,082	8,558,709
June 30, 2018	<u>\$ 614,101</u>	<u>19,973</u>	<u>1,862,077</u>	<u>5,139,042</u>	<u>57,977</u>	<u>94,596</u>	<u>759,288</u>	<u>8,547,054</u>
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>

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

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(j) 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, 2018 and 2017. The related information is provided in note 6(i) to the consolidated financial statements for the year ended December 31, 2017.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(i) to the consolidated financial statements for the year ended December 31, 2017.

(k) Intangible assets

	Industrial technology and know- how	Computer software	Goodwill	Patent and trademark	Customer relationship	Total
Carrying value:						
January 1, 2018	\$ 596,151	35,658	205,021	435,806	669,714	1,942,350
June 30, 2018	\$ 583,603	29,829	209,499	433,355	653,948	1,910,234
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

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, 2018 and 2017. The amortization of intangible assets of the Group is provided in note 12(a), and the related information is provided in note 6(j) to the consolidated financial statements for the year ended December 31, 2017.

(l) 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, 2018		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.40~5.568	2018~2019	\$ <u>4,898,251</u>
	December 31, 2017		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.40~4.79	2018	\$ <u>6,365,254</u>
	June 30, 2017		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.40~4.79	2017~2018	\$ <u>8,330,594</u>

As of June 30, 2018, December 31 and June 30, 2017, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to \$15,153,618 thousand, \$13,586,947 thousand and \$11,807,143 thousand, respectively.

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(ii) Short-term commercial paper payable

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Short-term commercial paper payable	\$ -	350,000	-
Less: discount on short-term commercial paper payable	-	25	-
Total	<u>\$ -</u>	<u>349,975</u>	<u>-</u>

The interest rates of the Group's short-term commercial paper payable as of December 31, 2017, was 0.87%.

(iii) Long-term borrowings

1) Long-term bank borrowings

	<u>June 30, 2018</u>		
	<u>Range of interest rates (%)</u>	<u>Year of maturity</u>	<u>Amount</u>
Secured loans	3.56	2020	\$ 457,500
Unsecured loans	1.05~1.44	2018~2023	2,700,000
Total			<u>\$ 3,157,500</u>
Current			\$ 800,000
Non-current			2,357,500
Total			<u>\$ 3,157,500</u>

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

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

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For the six months ended June 30, 2018 and 2017, the Group repaid \$400,000 thousand and \$196,443 thousand, respectively, of its long-term borrowings. For the six month ended June 30, 2018, the Group's proceeds from long-term borrowing amounted to \$1,943,118 thousand, with an interest rate of 1.05%~3.56%. The long-term borrowings are due in December 2020, March and June 2021, and March 2023. There were no significant loan agreements entered into during the six month ended June 30, 2017. Please refer to note 6(l) of the consolidated financial statements for the year ended December 31, 2017 for the related information.

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

	<b>June 30, 2018</b>	<b>December 31, 2017</b>	<b>June 30, 2017</b>
Long-term commercial paper payable	\$ 500,000	-	-
Less: discount on long-term commercial paper payable	411	-	-
Total	<u>\$ 499,589</u>	<u>-</u>	<u>-</u>

The Group entered into a loan agreement concerning the issuance of commercial paper with a financial institution in February 2018. Based on the contract, the Group is allowed to issue the commercial paper circularly, with a guarantee from the bank, for 30 days to one year within a period of five years. The credit facility amounted to \$500,000 thousand, with the renewal amount that should not be less than 70%. The interest rate of the Group's long-term commercial paper payable as of June 30, 2018 was 1.2513%.

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

(m) Current provisions (recorded as other payable)

	<b>Onerous Contracts</b>	<b>Provision for defective products</b>	<b>Total</b>
Balance at January 1, 2018	\$ -	28,324	28,324
Increase in provisions	-	18,009	18,009
Provisions recognized	-	(1,492)	(1,492)
Reversal of unused provisions	-	(13,166)	(13,166)
Effect of changes in exchange rates	-	156	156
Balance at June 30, 2018	<u>\$ -</u>	<u>31,831</u>	<u>31,831</u>

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	<b>Onerous Contracts</b>	<b>Provision for defective products</b>	<b>Total</b>
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.

(n) 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 \$61,216 thousand to the Bank of Taiwan labor pension reserve account in March 2018. 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, 2017 and 2016.

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

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Operating costs	\$ 1,387	1,449	2,757	2,915
Operating expenses	881	916	1,780	1,814
	<u>\$ 2,268</u>	<u>2,365</u>	<u>4,537</u>	<u>4,729</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	
	2018	2017	2018	2017
Operating costs	\$ 18,230	19,316	35,537	38,339
Operating expenses	9,039	9,467	18,182	19,155
	<u>\$ 27,269</u>	<u>28,783</u>	<u>53,719</u>	<u>57,494</u>

(o) 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.

According to the amendments to the "Income Tax Act" enacted by the office of the President of the Republic of China (Taiwan) on February 7, 2018, an increase in the corporate income tax rate from 17% to 20% is applicable upon filing the corporate income tax return commencing year 2018. The group spreads the effect of the change amounting to \$51,772 thousand in the tax rate by an adjustment to the estimated annual effective income tax rate.

The components of income tax expense were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Current income tax expense				
Current period	\$ 100,600	(23,041)	312,963	156,342
Adjustment for prior periods	9,161	8,416	9,161	8,416
Income tax expenses on continuing operations	<u>\$ 109,761</u>	<u>(14,625)</u>	<u>322,124</u>	<u>164,758</u>

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

(p) 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, 2018 and 2017. Please refer to note 6(q) to the consolidated financial statements for the year ended December 31, 2017, for the related information.

(i) Capital

In accordance with the Company's articles of incorporation amended on June 21, 2018, the capital share of the company amounted to \$12,000,000,000, divided into 1,200,000,000 shares, at NT\$10 per share.

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**TSRC CORPORATION AND SUBSIDIARIES**  
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In accordance with the original Company's articles of incorporation, the capital share of the company amounted to \$9,000,000,000, divided into 900,000,000 shares, at NT\$10 per share.

(ii) Retained earnings—earnings distribution

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

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

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

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

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

	2017		2016	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 0.96	<u>792,682</u>	1.00	<u>825,710</u>

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(iii) Other equities (net for tax)

	Foreign exchange differences arising from foreign	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Effective portion of cash flow hedges	Total
Balance as of January 1, 2018 (after adjustments of retrospective application)	\$ 512,008	623,809	11,721	1,147,538
Foreign exchange differences arising from foreign operation	171,676	-	-	171,676
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(16,687)	-	-	(16,687)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	94,131	-	94,131
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	(831)	(831)
Balance as of June 30, 2018	<u>\$ 666,997</u>	<u>717,940</u>	<u>10,890</u>	<u>1,395,827</u>
	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>

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(q) 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	
	2018	2017	2018	2017
Net income attributable to common shareholders of the Company	\$ <u>391,918</u>	<u>(86,792)</u>	<u>628,280</u>	<u>266,886</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>0.47</u>	<u>(0.11)</u>	<u>0.76</u>	<u>0.32</u>

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Net income attributable to common shareholders of the Company (diluted)	\$ <u>391,918</u>	<u>(86,792)</u>	<u>628,280</u>	<u>266,886</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	<u>231</u>	<u>-</u>	<u>847</u>	<u>484</u>
Weighted-average number of shares outstanding (diluted)	<u>825,941</u>	<u>825,710</u>	<u>826,557</u>	<u>826,194</u>
Diluted earnings per share (in NT dollars)	\$ <u>0.47</u>	<u>(0.11)</u>	<u>0.76</u>	<u>0.32</u>

(r) 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.

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For the three months and six months ended June 30, 2018 and 2017, the estimated amounts of employees' bonuses were \$4,231 thousand, \$(8,873) thousand, \$7,587 thousand and \$2,805 thousand, respectively, and the estimated amounts of directors' remuneration were \$4,107 thousand, \$(1,391) thousand, \$6,977 thousand and \$2,805 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2018 and 2017.

For the years ended December 31, 2017 and 2016, the Company estimated its employees' compensation were \$49,732 thousand and \$35,219 thousand, respectively, and the estimated amounts of directors' remuneration were \$9,558 thousand and \$11,180 thousand, respectively. 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.

(s) Revenue from contracts with customers

<b>For the three months ended June 30, 2018</b>			
	<b>Synthetic rubber</b>	<b>Non-synthetic rubber</b>	<b>Total</b>
Primary geographical markets:			
Asia	\$ 5,031,956	366,041	5,397,997
America	1,147,728	3,239	1,150,967
Europe	919,284	-	919,284
Others	<u>225,482</u>	<u>52</u>	<u>225,534</u>
	<u><b>\$ 7,324,450</b></u>	<u><b>369,332</b></u>	<u><b>7,693,782</b></u>
Major product lines:			
Synthetic rubber / elastomers	\$ 7,195,221	-	7,195,221
Applied materials	-	368,645	368,645
Others	<u>129,229</u>	<u>687</u>	<u>129,916</u>
	<u><b>\$ 7,324,450</b></u>	<u><b>369,332</b></u>	<u><b>7,693,782</b></u>

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	<b>For the six months ended June 30, 2018</b>		
	<b>Synthetic rubber</b>	<b>Non-synthetic rubber</b>	<b>Total</b>
Primary geographical markets:			
Asia	\$ 10,016,402	712,643	10,729,045
America	2,188,646	7,444	2,196,090
Europe	1,860,631	-	1,860,631
Others	424,953	52	425,005
	<u>\$ 14,490,632</u>	<u>720,139</u>	<u>15,210,771</u>
Major product lines:			
Synthetic rubber / elastomers	\$ 14,303,994	-	14,303,994
Applied materials	-	718,845	718,845
Others	186,638	1,294	187,932
	<u>\$ 14,490,632</u>	<u>720,139</u>	<u>15,210,771</u>

For details on revenue for the six months ended June 30, 2017, please refer to note 6(t).

(t) Revenue

	<b>For the three months ended June 30, 2017</b>	<b>For the six months ended June 30, 2017</b>
Sale of goods	\$ 8,352,855	17,100,859
Service income	9,806	20,636
	<u>\$ 8,362,661</u>	<u>17,121,495</u>

For details on revenue for the six months ended June 30, 2018, please refer to note 6(s).

(u) Other income and expenses

	<b>For the three months ended June 30</b>		<b>For the six months ended June 30</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
Rental income	\$ 20,548	19,913	37,553	36,181
Royalty income	28,475	20,502	53,184	29,819
Net service income	4,728	1,143	10,948	3,257
Depreciation of investment properties	(3,681)	(3,681)	(7,363)	(7,363)
Net other income	13,006	11,663	20,550	28,418
	<u>\$ 63,076</u>	<u>49,540</u>	<u>114,872</u>	<u>90,312</u>

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(v) Non-operating income and expenses

(i) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Dividend income	\$ 22,628	22,628	22,628	22,628
Foreign exchange gain (loss), net	1,872	6,921	11,604	14,899
Loss on disposal of property, plant and equipment, net	(189)	(207)	(402)	(3,459)
Impairment loss on non-financial assets	-	(280,000)	-	(280,000)
Gains on disposal of investments	-	74,918	-	74,918
Others	7,029	4,051	5,489	4,980
	<u>\$ 31,340</u>	<u>(171,689)</u>	<u>39,319</u>	<u>(166,034)</u>

(ii) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Interest expenses	<u>\$ 40,729</u>	<u>55,658</u>	<u>76,312</u>	<u>106,304</u>

(w) 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(x) to the consolidated financial statements for the year ended December 31, 2017.

(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
<b>June 30, 2018</b>						
<b>Non-derivative financial liabilities</b>						
Short-term debts	\$ 4,925,350	4,801,536	123,814	-	-	-
Accounts payable (including related parties)	1,724,024	1,724,024	-	-	-	-
Dividend payable	804,841	804,841	-	-	-	-
Other payables	712,970	712,970	-	-	-	-
Long-term debts (including other long-term borrowings and current portion)	3,783,340	426,828	426,349	993,536	1,936,627	-
Provision for guarantee liabilities—non-current	2,659,903	-	752,128	457,500	1,450,275	-
<b>Derivative financial liabilities</b>						
Other forward contracts:						
Outflow	10	10	-	-	-	-
	<u>\$ 14,610,438</u>	<u>8,470,209</u>	<u>1,302,291</u>	<u>1,451,036</u>	<u>3,386,902</u>	<u>-</u>

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	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>December 31, 2017</b>						
Non-derivative financial liabilities						
Short-term debts	\$ 6,403,311	5,941,195	462,116	-	-	-
Short-term commercial paper payable	349,975	349,975	-	-	-	-
Accounts payable (including related parties)	1,828,755	1,828,755	-	-	-	-
Dividend payable	12,654	12,654	-	-	-	-
Other payables	870,199	870,199	-	-	-	-
Long-term debts (including current portion)	1,623,419	409,057	408,617	805,745	-	-
Provision for guarantee liabilities—non-current	2,709,687	526,562	662,625	526,562	-	993,938
Derivative financial liabilities						
Other forward contracts:						
Outflow	226	226	-	-	-	-
	<u>\$ 13,798,226</u>	<u>9,938,623</u>	<u>1,533,358</u>	<u>1,332,307</u>	<u>-</u>	<u>993,938</u>
<b>June 30, 2017</b>						
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>

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:

	Foreign currency	Exchange rate	NTD	
June 30, 2018				
Financial assets:				
Monetary assets:				
USD	\$	73,989	30.5000	2,256,665
EUR	\$	16,164	35.4502	573,017
JPY	\$	215,488	0.2757	59,410
CNY	\$	11,880	4.6006	54,655
Financial liabilities:				
Monetary liabilities:				
USD	\$	84,487	30.5000	2,576,854
EUR	\$	14,242	35.4502	504,882
JPY	\$	170,725	0.2757	47,069

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	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>December 31, 2017</b>			
Financial assets:			
Monetary assets:			
USD	\$ 38,486	29.8480	1,148,730
EUR	\$ 14,867	35.6743	530,370
JPY	\$ 130,957	0.2649	34,691
CNY	\$ 19,566	4.5788	89,589
Financial liabilities:			
Monetary liabilities:			
USD	\$ 75,539	29.8480	2,254,688
EUR	\$ 13,560	35.6743	483,744
JPY	\$ 109,006	0.2649	28,876
<b>June 30, 2017</b>			
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

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 \$1,851 thousand and \$8,896 thousand for the six months ended June 30, 2018 and 2017, 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 2018 and 2017, foreign exchange gain (loss) (including realized and unrealized) amounting to \$11,604 thousand and \$14,899 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 \$85,553 thousand and \$107,202 thousand for the six months ended June 30, 2018 and 2017, 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.

	Carrying amount	June 30, 2018			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 5,958	-	5,958	-	5,958
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	239,024	239,024	-	-	239,024
Unlisted stocks (domestic and overseas)	976,472	-	-	976,472	976,472
Subtotal	<u>1,215,496</u>	<u>239,024</u>	<u>-</u>	<u>976,472</u>	<u>1,215,496</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	4,101,128	-	-	-	-
Accounts and notes receivables	4,213,442	-	-	-	-
Other receivables	135,096	-	-	-	-
Subtotal	<u>8,449,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,671,120</u>	<u>239,024</u>	<u>5,958</u>	<u>976,472</u>	<u>1,221,454</u>

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		June 30, 2018			
		Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 10	-	10	-	10
Financial liabilities measured at amortized cost					
Short-term borrowings	4,898,251	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	3,657,089	-	-	-	-
Notes and accounts payable	1,724,024	-	-	-	-
Dividend payable	804,841	-	-	-	-
Other payables	712,970	-	-	-	-
Subtotal	11,797,175	-	-	-	-
Total	\$11,797,185	-	10	-	10
		December 31, 2017			
		Carrying amount	Fair value		
			Level 1	Level 2	Level 3
Available-for-sale financial assets					
Listed stocks (domestic)	\$ 235,024	235,024	-	-	235,024
Unlisted stocks (domestic and overseas)	885,097	-	-	885,097	885,097
Subtotal	1,120,121	235,024	-	885,097	1,120,121
Loans and receivables					
Cash and cash equivalents	3,560,440	-	-	-	-
Accounts and notes receivable	3,817,055	-	-	-	-
Other receivables	76,088	-	-	-	-
Subtotal	7,453,583	-	-	-	-
Total	\$ 8,573,704	235,024	-	885,097	1,120,121

(Continued)

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

	December 31, 2017				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 226	-	226	-	226
Financial liabilities measured at amortized cost					
Short-term borrowings	6,365,254	-	-	-	-
Short-term commercial paper payable	349,975	-	-	-	-
Long-term borrowings (including current portion)	1,600,000	-	-	-	-
Accounts payables (including related parties)	1,828,755	-	-	-	-
Dividend payable	12,654	-	-	-	-
Other payables	870,199	-	-	-	-
Total	<u>\$11,027,063</u>	<u>-</u>	<u>226</u>	<u>-</u>	<u>226</u>
June 30, 2017					
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Available-for-sale financial assets					
Listed stocks (domestic)	\$ 384,957	384,957	-	-	384,957
Unlisted stocks (domestic and overseas)	925,386	-	-	925,386	925,386
Subtotal	<u>1,310,343</u>	<u>384,957</u>	<u>-</u>	<u>925,386</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	104,021	-	-	-	-
Subtotal	<u>8,861,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$10,172,121</u>	<u>384,957</u>	<u>-</u>	<u>925,386</u>	<u>1,310,343</u>

(Continued)



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

		June 30, 2017				
		Carrying amount	Fair value			Total
			Level 1	Level 2	Level 3	
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	<u>802,406</u>	-	-	-	-	-
Total	<u>\$14,229,976</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. The liquidity discount is a significant unobservable input in valuing equity investment. Forward exchange contracts are normally priced based on the exchange rates provided by the world agencies.

3) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2018	\$ 885,097
Total gains recognized:	
In other comprehensive income	<u>91,375</u>
Balance at June 30, 2018	<u>\$ 976,472</u>
Balance at January 1, 2017	\$ 968,406
Total losses recognized:	
In other comprehensive income	<u>(43,020)</u>
Balance at June 30, 2017	<u>\$ 925,386</u>

(Continued)

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>Multipliers of price-to-earnings ratios as of June 30, 2018, December 31, 2017 and June 30, 2017 were 13.31~16.36, 14.81~15.13 and 14.12~14.18, respectively</li> <li>Market illiquidity discount rate as of June 30, 2018, December 31, 2017 and June 30, 2017 was 20%</li> </ul>	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> <li>the multiplier were higher (lower)</li> <li>the market illiquidity discount were lower (higher)</li> </ul>

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

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

			<u>Other comprehensive income</u>		
	<u>Input</u>	<u>Assumptions</u>	<u>Favourable</u>	<u>Unfavourable</u>	
<b>June 30, 2018</b>					
Financial assets fair value through other comprehensive income					
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 12,211	(12,211)	
<b>December 31, 2017</b>					
Available-for-sale financial assets					
Equity investments without an active market	Liquidity discount at 20%	1%	11,068	(11,068)	
<b>June 30, 2017</b>					
Available-for-sale financial assets					
Equity investments without an active market	Liquidity discount at 20%	1%	11,568	(11,568)	

(Continued)

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

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

(x) Financial risk management

The objectives and policies of the Group's financial risk management are the same as those in note 6(y) to the consolidated financial statements for the year ended December 31, 2017.

(y) 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, 2017. 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, 2017. For further information, please refer to note 6(z) to the consolidated financial statements for the year ended December 31, 2017.

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

The Group did not have any non-cash flow transactions on investing and financing activities for the six months ended June 30, 2018 and 2017.

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2018	Cash flows	Non-cash changes Foreign exchange movement	Amortization of commercial paper discount	June 30, 2018
Long-term borrowings (including current portion)	\$ 1,600,000	1,543,118	14,382	-	3,157,500
Other long-term borrowings	-	497,978	-	1,611	499,589
Short-term borrowings	6,365,254	(1,569,026)	102,023	-	4,898,251
Short-term commercial paper payable	349,975	(350,477)	-	502	-
Total liabilities from financing activities	\$ 8,315,229	121,593	116,405	2,113	8,555,340

**(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 joint venture under equity method (reclassified from associate to joint venture since April 2018)
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	The Group recognized associates under equity method
Asia Pacific Energy Development Co., Ltd	//

(Continued)

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
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 Industrial Ltd.	//
Nantong Chemical & Light Industry Co., Ltd.	The ultimate controlling party of the investor, which recognized joint venture under equity method
Nantong Benny Petrochemicals Harbour Storage Co., Ltd.	The controlling party of the investor, which recognized joint venture under equity method
UBE (Shanghai) Ltd.	Subsidiary of corporate investor of the consolidated entity

(b) Significant transactions with related parties

(i) Operating revenue

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Associates	\$ -	24,242	-	24,242

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

(ii) Purchases

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

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Associates	\$ -	(11)	-	812
Others	22,356	146,614	207,702	366,879
	<u>\$ 22,356</u>	<u>146,603</u>	<u>207,702</u>	<u>367,691</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.

(Continued)

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

(iii) Service income and expenses

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

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Associates				
Indian Synthetic Rubber Private Limited	\$ -	10,448	15,197	16,981
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	46,322	30,416	86,917	54,090
Joint ventures				
Indian Synthetic Rubber Private Limited	16,113	-	16,113	-
Others	759	-	2,346	-
Other related parties				
Others	(731)	151	(1,416)	552
	<u>\$ 62,463</u>	<u>41,015</u>	<u>119,157</u>	<u>71,623</u>

(iv) Receivable from related parties

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

Account	Type of related parties	June 30, 2018	December 31, 2017	June 30, 2017
Other receivable	Associates			
	Indian Synthetic Rubber Private Limited	\$ -	32,707	14,828
	Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	26,175	22,167	17,183
Other receivable	Joint ventures			
	Indian Synthetic Rubber Private Limited	16,830	-	-
	Others	246	246	242
		<u>\$ 43,251</u>	<u>55,120</u>	<u>32,253</u>

(Continued)

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

(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, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Accounts payable	Other related parties	\$ 937	35,663	47,862
Other payable	Other related parties	719	703	-
		<u>\$ 1,656</u>	<u>36,366</u>	<u>47,862</u>

(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, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Associates			
Indian Synthetic Rubber Private Limited	\$ -	1,656,563	1,689,199
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	752,128	1,053,124	516,294
Joint ventures			
Indian Synthetic Rubber Private Limited	1,450,275	-	-
	<u>\$ 2,202,403</u>	<u>2,709,687</u>	<u>2,205,493</u>

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

	<u>June 30, 2018</u>	<u>December 31, 2017</u>	<u>June 30, 2017</u>
Associates			
Indian Synthetic Rubber Private Limited	\$ -	26,350	24,933
Arlanxeo-TSRC (Nantong) Chemical Industries Co., Ltd.	2,880	649	1,917
Joint ventures			
Indian Synthetic Rubber Private Limited	25,999	-	-
	<u>\$ 28,879</u>	<u>26,999</u>	<u>26,850</u>

(Continued)

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

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	For the three months ended June 30		For the six months ended June 30	
	2018	2017	2018	2017
Short-term employee benefits	\$ 26,907	27,442	54,939	54,855
Post-employment benefits	325	262	622	521
	<u>\$ 27,232</u>	<u>27,704</u>	<u>55,561</u>	<u>55,376</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	June 30, 2018	December 31, 2017	June 30, 2017
Restricted savings deposits (recorded as other non-current assets)	Guarantee for bank loans	\$ -	-	2,600
Restricted savings deposits (recorded as other non-current assets)	Deposit for safety production	-	4,175	4,092
		<u>\$ -</u>	<u>4,175</u>	<u>6,692</u>

(9) Commitments and Contingencies

- (a) As of June 30, 2018, December 31 and June 30, 2017, the Group's unused letters of credit outstanding for purchases of materials were \$1,276,165 thousand, \$1,653,768 thousand and \$1,399,728 thousand, respectively.
- (b) As of June 30, 2018, December 31 and June 30, 2017, the Group's signed construction and design contracts with several factories totaled \$1,155,920 thousand, \$129,184 thousand and \$92,775 thousand, respectively, of which \$246,874 thousand, \$101,616 thousand and \$41,978 thousand, respectively, were paid.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(Continued)

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

**(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, 2018			Three months ended June 30, 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	239,162	159,520	398,682	220,732	148,694	369,426
Labor and health insurance	21,012	13,884	34,896	20,205	14,097	34,302
Pension	19,617	9,920	29,537	20,765	10,383	31,148
Directors' remuneration	-	20,152	20,152	-	1,663	1,663
Others (note 1)	34,375	14,055	48,430	26,720	9,225	35,945
Depreciation (note 2)	186,236	28,583	214,819	180,320	31,374	211,694
Amortization	560	37,331	37,891	600	36,293	36,893

By function By nature	Six months ended June 30, 2018			Six months ended June 30, 2017		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	470,604	311,637	782,241	447,588	300,184	747,772
Labor and health insurance	41,729	28,441	70,170	40,472	28,727	69,199
Pension	38,294	19,962	58,256	41,254	20,969	62,223
Directors' remuneration	-	26,060	26,060	-	8,894	8,894
Others (note 1)	65,441	30,038	95,479	62,004	27,163	89,167
Depreciation (note 2)	372,906	57,719	430,625	362,714	61,987	424,701
Amortization	2,954	72,011	74,965	2,946	69,443	72,389

Note 1: Others personnel expenses included meals, employee welfare, training expenses and employees' bonus.

Note 2: Depreciation expenses for investment property recognized under other income and expenses amounting to \$3,681 thousand, \$3,681 thousand, \$7,363 thousand \$7,363 for the three months ended June 30, 2018 and 2017 and the six months ended June 30, 2018 and 2017 were excluded.

- (b) Seasonality or cyclicity of interim operations

The business of the Group is neither seasonal nor cyclical.

(Continued)



## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other Disclosures

##### (a) Information on significant transactions:

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

##### (i) Loans to other parties:

Unit: thousand NTD

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers (Note 5)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	154,592	151,820	-	3.915%	2	-	Operating capital	-	-	-	202,459 (Note 1)	404,918 (Note 2)
2	TSRC (Nantong) Industries Ltd.	Artanxco-TSRC (Nantong) Chemical Industries Co., Ltd.	Loan	Yes	328,028	322,042	-	5.11%	2	-	Operating capital	-	-	-	428,055 (Note 3)	1,712,218 (Note 4)

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

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

Note 3: The loan limit extended per party of TSRC (Nantong) Industries Ltd. should not be over 10% of total equity.

Note 4: The maximum loan extended to all parties of TSRC (Nantong) Industries Ltd. should not be over 40% of total equity.

Note 5: TSRC (Shanghai) Industries Ltd. and TSRC (Nantong) Industries Ltd. are 100.00% owned by TSRC. Artanxco-TSRC (Nantong) Chemical Industries Co., Ltd. is a foreign company with TSRC holding 50% of its equity.

Note 6: Credit period: The financing period should not be over one year.

Note 7: Loans to other parties numbering is as follows:

- (1) if it's ordinary business relationship, the number is "1"
- (2) if it needs short-term financial funds, the number is "2"

Note 8: The transactions within the Group were eliminated in the consolidated financial statements.

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

Unit: thousand NTD

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
0	TSRC	TSRC (USA) Investment Corporation	3	(Note 2)	457,500	457,500	457,500	-	3.06 %	(Note 3)	Y	
0	TSRC	Artanxco-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,289,380	752,128	515,995	-	5.03 %	(Note 3)		Y
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,622,265	1,450,275	1,450,275	-	9.69 %	(Note 3)		

Note 1: The guarantee's relationship with the guarantor is as follows:

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

Note 2: The guaranteed amount is limited to 50% of total equity amounting to \$7,480,702 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$22,442,105 thousand.

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

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(iii) Securities held as of June 30, 2018 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand NTD

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	-	Financial assets at fair value through other comprehensive income—non-current	10,001,000	239,024	0.18 %	239,024	
TSRC	Evergreen Steel Corporation	-	Financial assets at fair value through other comprehensive income—non-current	12,148,000	346,582	3.00 %	346,582	
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	599,999	147,420	5.42 %	147,420	
TSRC	Hsin-Yung Enterprise Corporation	-	Financial assets at fair value through other comprehensive income—non-current	5,657,000	276,684	3.90 %	276,684	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	837,552	205,786	7.57 %	205,786	
					<u>1,215,496</u>		<u>1,215,496</u>	

- (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 NTD

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)	
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	114,061	3.57 %	14 days	-		-	- %	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	259,823	78.98 %	40 days	-		(53,227)	(79.19) %	
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(259,823)	(10.19) %	40 days	-		53,227	7.50 %	
TSRC (Lux.) Corporation S.a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	544,571	35.79 %	90 days	-		(63,349)	(14.34) %	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.a.r.l.	Related parties	Sale	(544,571)	(24.41) %	90 days	-		63,349	14.00 %	
TSRC (Lux.) Corporation S.a.r.l.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	886,862	58.29 %	70 days	-		(338,119)	(76.53) %	
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.a.r.l.	Related parties	Sale	(886,862)	(34.77) %	70 days	-		338,119	47.64 %	
Dexco Polymers L.P.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	146,560	10.95 %	70 days	-		(75,009)	(19.03) %	
TSRC (Nantong) Industries Ltd.	Dexco Polymers L.P.	Related parties	Sale	(146,560)	(5.75) %	70 days	-		75,009	10.57 %	

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

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

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

Unit: thousand NTD

Name of related party	Counter-party	Relationship	Balance of receivables from related party	Turnover rate (Note 1)	Overdue amount		Amounts received in subsequent period (Note 2)	Allowances for bad debts
					Amount	Action taken		
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	338,119	5.94	-		98,651	-

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

Note 2: Until August 10, 2018.

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

(x) Business relationships and significant intercompany transactions:

Unit: thousand NTD

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	22,935	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.15 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	28,194	"	0.19 %
0	TSRC	TSRC (Lux.) Corporation S.'a.r.l.	1	Sales revenue	89,704	"	0.59 %
0	TSRC	TSRC (Lux.) Corporation S.'a.r.l.	1	Accounts receivable	40,593	"	0.14 %
0	TSRC	Polybus Corporation Pte Ltd	1	Sales revenue	45,847	"	0.30 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	18,688	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	41,422	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.27 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	259,823	"	1.71 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Accounts receivable	53,227	"	0.18 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	3	Sales revenue	886,862	"	5.83 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	3	Accounts receivable	338,119	"	1.13 %
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	102,745	"	0.68 %
1	TSRC (Nantong) Industries Ltd.	Dexco Polymers L.P.	3	Sales revenue	146,560	"	0.96 %
1	TSRC (Nantong) Industries Ltd.	Dexco Polymers L.P.	3	Accounts receivable	75,009	"	0.25 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	3	Sales revenue	544,571	The transaction is not significantly different from normal transactions, and the collection terms were about three months	3.58 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	3	Accounts receivable	63,349	"	0.21 %

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## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
3	Shen Hua Chemical Industries Co., Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	21,218	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.14 %
4	TSRC (Lux.) Corporation S.a.r.l.	TSRC	2	Other income and expenses	27,016	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.18 %
5	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Sales revenue	20,714	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.14 %
0	TSRC	TSRC(USA) Investment Corporation	1	Note 4	457,500	-	-

Note 1: Company numbering is as follows:

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

Note 2: The number of the relationship with the transaction counterparty represents the following:

- (1) 1 represents downstream transactions.
- (2) 2 represents upstream transactions.
- (3) 3 represents midstream transactions.

Note 3: For balance sheet items, over 0.1% of total consolidated assets, and for profit or loss items, over 0.1% of total consolidated revenue were selected for disclosure.

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

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2018 (excluding information on investees in Mainland China):

Unit: thousand NTD/thousand USD/thousand EUR

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, 2018	December 31, 2017	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 %	13,037,610	646,309	647,688	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 %	849,539	28,059	28,059	Subsidiary
TSRC	Dymas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	38,376	38,376	1,161,004	19.48 %	172,306	30,984	6,036	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 %	13,280	(4,528)	(2,174)	-
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	100 Peak Seah Street #09-16 Singapore 079333	International commerce and investment corporation	1,985,581 (USD65,101)	1,985,581 (USD65,101)	105,830,000	100.00 %	7,978,966	456,653	456,653	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (HONG KONG) Limited	15/F Boc Group Life Assurance Tower 136 Dias Voco Road Central	Investment corporation	2,374,425 (USD77,850)	2,374,425 (USD77,850)	77,850,000	100.00 %	3,250,402	129,717	129,717	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bldg., 1 Sri Aurabindo Marg, Yusuf Sarai, New Delhi 110016, India	Production and sale of synthetic rubber products	898,927 (USD29,473)	855,373 (USD28,045)	222,861,375	50.00 %	299,357	154,122	53,478	-
TSRC (HONG KONG) Limited	TSRC (Lux.) Corporation S.a.r.l.	34-36 avenue de la Liberté, L-1930, Luxembourg	International commerce and investment corporation	1,800,870 (EUR50,800)	1,800,870 (EUR50,800)	50,800,000	100.00 %	2,726,794	101,075	101,075	Indirectly owned subsidiary
TSRC (Lux.) Corporation S.a.r.l.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, County of New Castle, Wilmington, Delaware, USA	Investment corporation	2,136,525 (USD70,059)	2,136,525 (USD70,059)	100	100.00 %	2,657,955	100,260	100,260	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	5,874,819 (USD192,617)	5,874,819 (USD192,617)	-	100.00 %	1,552,187	213,813	213,813	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	1,525 (USD50)	1,525 (USD50)	50,000	100.00 %	113,690	3,535	3,535	Indirectly owned subsidiary

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## TSRC CORPORATION AND SUBSIDIARIES

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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, 2018	December 31, 2017	Shares	Percentage of ownership	Book value			
Henderson International Corporation	Dynas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	146,370 (USD4,799)	146,370 (USD4,799)	4,798,566	80.52 %	733,537	30,984	24,948	Indirectly owned subsidiary
Dynas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	344,193 (USD11,283)	344,193 (USD11,283)	7,522,337	37.78 %	417,349	75,342	28,464	-

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.5; EUR1 to NTD35.4502)

Note 2: TSRC directly owns 19.48% of Dynas's equity and indirectly owns 80.52% via Henderson International Corporation

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

(c) Information on investment in Mainland China:

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

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2018	Investment flow during current period		Cumulative investment (amount) from Taiwan as of June 30, 2018	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	1,257,210 (USD41,220)	(2)a.	-	-	-	-	101,434	65.44 %	66,379	1,851,405	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	704,550 (USD23,100)	(2)c.	116,876 (USD3,832)	-	-	116,876 (USD3,832)	98,750	28.34 %	27,986	514,367	-
TSRC (Shanghai) Industries Ltd.	Production and sale of reengineering plastic, plastic compound metal, and plastic elasticity engineering products	167,750 (USD5,500)	(2)b.	119,560 (USD3,920)	-	-	119,560 (USD3,920)	30,202	100.00 %	30,202	404,918	-
Nansong Qixi Storage Co., Ltd.	Storehouse for chemicals	91,500 (USD3,000)	(2)d.	45,750 (USD1,500)	-	-	45,750 (USD1,500)	6,353	50.00 %	3,177	74,305	-
TSRC-UBIE (Nanong) Industries Ltd.	Production and sale of synthetic rubber products	1,220,000 (USD40,000)	(2)a.	30,500 (USD1,000)	-	-	30,500 (USD1,000)	40,295	55.00 %	22,162	803,282	-
TSRC (Nanong) Industries Ltd.	Production and sale of synthetic rubber products	2,364,940 (USD77,379)	(2)a.	202,764 (USD6,648)	-	-	202,764 (USD6,648)	353,077	100.00 %	353,077	4,280,546	-
Artanveco-TSRC (Nanong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,366,400 (USD44,800)	(2)a.	-	-	-	-	38,937	50.00 %	19,469	203,729	-

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 NTD30.5).

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

(ii) Limitation on investment in Mainland China:

Unit: thousand NTD/thousand USD			
Company name	Accumulated investment amount in Mainland China as of June 30, 2018	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	515,450 (USD16,900)	4,872,345 (USD159,749) (Note 2)	- (Note 1)

Note 1: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the "Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China" amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau, Ministry of Economic Affairs, on October 14, 2015. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from October 1, 2015 to September 30, 2018.

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

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 NTD30.5).

(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	Non-synthetic rubber	Others	Adjustments or eliminations	Total
<b>Three months ended June 30, 2018</b>					
Revenue:					
Revenue from external customers	\$ 7,324,450	369,332	-	-	7,693,782
<b>Income from operations</b>	<u>\$ 393,633</u>	<u>91,499</u>	<u>12,068</u>	<u>19,101</u>	<u>516,301</u>
<b>Three months ended June 30, 2017</b>					
Revenue:					
Revenue from external customers	\$ 8,166,663	186,192	9,806	-	8,362,661
<b>Income from operations</b>	<u>\$ (1,352)</u>	<u>(25,360)</u>	<u>(193,701)</u>	<u>24,211</u>	<u>(196,202)</u>
<b>Six months ended June 30, 2018</b>					
Revenue:					
Revenue from external customers	\$ 14,490,632	720,139	-	-	15,210,771
<b>Income from operations</b>	<u>\$ 859,182</u>	<u>124,489</u>	<u>(3,086)</u>	<u>23,007</u>	<u>1,003,592</u>
<b>Six months ended June 30, 2017</b>					
Revenue:					
Revenue from external customers	\$ 16,749,395	351,464	20,636	-	17,121,495
<b>Income from operations</b>	<u>\$ 545,468</u>	<u>(6,404)</u>	<u>(198,577)</u>	<u>7,612</u>	<u>348,099</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.