

**TSRC CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Three Months Ended March 31, 2019 and 2018**

**Address: No. 2, Singgong Rd., Dashe Dist., Kaohsiung City.
Telephone: (07)351-3811**

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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安侯建業聯合會計師事務所

KPMG

台北市11049信義路5段7號68樓(台北101大樓)
68F., TAIPEI 101 TOWER, No. 7, Sec. 5,
Xinyi Road, Taipei City 11049, Taiwan (R.O.C.)

Telephone 電話 + 886 2 8101 6666
Fax 傳真 + 886 2 8101 6667
Internet 網址 kpmg.com/tw

Independent Auditors' Review Report

To the Board of Directors of TSRC Corporation:

Introduction

We have reviewed the accompanying consolidated balance sheets of the TSRC Corporation (the "Company") and its subsidiaries (together referred to as the "Group") as of March 31, 2019 and 2018, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended 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 Standard 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 reviews.

Scope of Review

Except as explained in the Basis for Qualified Conclusion paragraph, we conducted our reviews in accordance with Statement of Auditing Standard 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 \$3,384,236 thousand and \$3,224,417 thousand, constituting 10% and 11% of the consolidated total assets; and the total liabilities amounting to \$738,087 thousand and \$930,529 thousand, constituting 5% and 7% of the consolidated total liabilities as of March 31, 2019 and 2018, respectively; as well as the total comprehensive income (loss) amounting to \$86,440 thousand and \$109,187 thousand, constituting 13% and 42% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2019 and 2018, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of the Group in its investee companies of \$1,163,931 thousand and \$1,162,143 thousand at March 31, 2019 and 2018, respectively, and its equity in net earnings on these investee companies of \$99,687 thousand and \$30,120 thousand for the three months ended March 31, 2019 and 2018, 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 of March 31, 2019 and 2018, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, “Interim Financial Reporting” endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China.

Emphasis of Matter

As stated in Note 3(a), the Group initially adopt the IFRS 16, “Leases” at January 1, 2019 and apply the modified retrospective approach, with no restatement of comparative period amounts. Our conclusion is not qualified in respect of this matter.

KPMG

Taipei, Taiwan (Republic of China)

May 2, 2019

Notes to Readers

The accompanying consolidated financial statements are intended only to present the consolidated statement of financial position, financial performance and 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 Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2019 and 2018

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

March 31, 2019, December 31, and March 31, 2018

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2019		December 31, 2018		March 31, 2018	
	Amount	%	Amount	%	Amount	%
Assets						
Current assets:						
1100 Cash and cash equivalents (note 6(a))	\$ 4,468,926	14	4,527,752	15	3,473,788	12
1110 Financial assets at fair value through profit or loss—current (note 6(b))	5,117	-	679	-	194	-
1150 Notes receivable, net (note 6(d))	462,208	2	558,944	2	820,863	3
1170 Accounts receivable, net (note 6(d))	3,351,133	10	2,873,893	10	3,243,975	11
1200 Other receivable (notes 6(e) and 7)	107,816	-	91,395	-	100,330	-
1220 Current income tax assets	20,561	-	21,636	-	38,250	-
130x Inventories (note 6(f))	6,180,838	19	6,449,363	21	5,948,240	20
1479 Other current assets	357,362	1	337,496	1	510,938	2
Total current assets	14,953,961	46	14,861,158	49	14,136,578	48
Non-current assets:						
1518 Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,446,561	4	1,299,806	4	1,107,067	4
1550 Investments accounted for under equity method (notes 6(g) and 7)	1,163,931	4	1,067,378	4	1,162,143	4
1600 Property, plant and equipment (notes 6(h), 8 and 9)	9,315,400	29	8,768,849	29	8,631,758	30
1755 Right-of-use assets (note 6(i))	1,620,522	5	-	-	-	-
1760 Investment property (note 6(j))	1,592,642	5	1,596,324	5	1,607,368	5
1780 Intangible assets (note 6(k))	1,821,849	6	1,851,601	6	1,863,072	6
1840 Deferred income tax assets	246,507	1	244,319	1	254,768	1
1900 Other non-current assets (note 8)	100,141	-	540,734	2	447,241	2
Total non-current assets	17,307,553	54	15,369,011	51	15,075,417	52
Total assets	\$ 32,261,514	100	\$ 30,230,169	100	\$ 29,211,995	100
Liabilities and Equity						
Current liabilities:						
Short-term borrowings (note 6(l))	4,422,327	14	4,147,772	14	5,871,152	20
Current portion of long-term borrowings (note 6(l))	750,000	2	850,000	3	800,000	3
Financial liabilities at fair value through profit or loss—current (note 6(m))	1	-	2,066	-	186	-
Accounts payable	1,808,979	5	1,514,522	5	1,436,100	5
Accounts payable—related parties (note 7)	-	-	-	-	70,735	-
Current income tax liabilities	122,715	-	133,032	-	228,764	1
Other payable (notes 6(m), 6(g) and 7)	1,121,481	3	1,330,672	4	835,504	3
Current lease liabilities (note 6(n))	218,523	1	-	-	-	-
Other current liabilities	162,131	1	194,549	1	223,219	1
Total current liabilities	8,606,157	26	8,172,613	27	9,465,660	33
Non-current liabilities:						
Long-term bank borrowings (note 6(l))	3,781,211	12	3,718,325	12	1,700,000	6
Other long-term borrowings (note 6(l))	499,661	2	499,693	2	499,075	2
Provision liabilities—non-current (note 7)	24,020	-	29,189	-	34,103	-
Deferred income tax liabilities	739,594	2	695,682	2	618,641	2
Non-current lease liabilities (note 6(n))	902,397	3	-	-	-	-
Other non-current liabilities	144,535	-	232,826	1	190,015	-
Total non-current liabilities	6,091,418	19	5,175,715	17	3,041,834	10
Total liabilities	14,697,575	45	13,348,328	44	12,507,494	43
Equity attributable to shareholders of the company (note 6(o)):						
Common stock	8,257,099	26	8,257,099	27	8,257,099	28
Capital surplus	45,158	-	45,158	-	41,043	-
Retained earnings:						
Legal reserve	3,857,922	12	3,857,922	13	3,770,512	13
Unappropriated earnings	2,235,559	7	1,951,564	6	1,897,686	6
Total equity	6,093,481	19	5,809,486	19	5,668,198	19
Total liabilities and equity	\$ 32,261,514	100	\$ 30,230,169	100	\$ 29,211,995	100
Other equity:						
Financial statement translation differences for foreign operations	690,947	2	465,589	2	486,728	2
Unrealized gain on financial assets measured at fair value through other comprehensive income	948,384	3	801,805	3	612,145	2
Gains (losses) on hedging instrument	(100,057)	-	(68,134)	-	11,212	-
Total equity attributable to shareholders of the company	1,539,274	5	1,199,260	5	1,110,085	4
Non-controlling interests	15,935,012	50	15,311,903	51	15,076,425	51
Total equity	17,563,939	55	16,881,841	56	16,704,501	57
Total liabilities and equity	\$ 32,261,514	100	\$ 30,230,169	100	\$ 29,211,995	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with generally accepted auditing standards

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income

For the three months ended March 31, 2019 and 2018

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

		For the three months ended March 31			
		2019		2018	
		Amount	%	Amount	%
4000	Revenue (notes 6(t) and 7)	\$ 7,560,995	100	7,516,989	100
5000	Operating costs (notes 6(f), 6(h), 6(i), 6(m), 6(n), 6(o), 6(s) and 7)	6,690,911	88	6,515,755	87
5910	Gross profit	870,084	12	1,001,234	13
6000	Operating expenses (notes 6(d), 6(h), 6(n), 6(o), 6(s) and 7):				
6100	Selling expenses	246,034	3	251,581	3
6200	General and administrative expenses	268,986	4	248,311	3
6300	Research and development expenses	90,254	1	83,087	1
6450	Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(971)	-	-	-
	Total operating expenses	604,303	8	582,979	7
6500	Other income and expenses, net (notes 6(u) and 7)	51,566	-	51,796	1
6900	Operating profit	317,347	4	470,051	7
	Non-operating income and expenses (notes 6(g), 6(n), 6(v) and 7):				
7010	Other income	24,115	-	14,724	-
7020	Other gains and losses	12,055	-	7,979	-
7050	Finance costs	(51,532)	-	(35,583)	-
7370	Share of gain of associates and joint ventures accounted for under equity method	99,687	1	30,120	-
	Total non-operating income and expenses	84,325	1	17,240	-
7900	Net income before tax	401,672	5	487,291	7
7950	Less: Tax expenses (note 6(p))	97,087	1	212,363	3
	Net income	304,585	4	274,928	4
8300	Other comprehensive income:				
8310	Components of other comprehensive income that will not be reclassified to profit or loss				
8316	Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	146,579	2	(11,664)	-
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
		146,579	2	(11,664)	-
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	232,924	3	(26,251)	-
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	(1,990)	-	24,042	-
8399	Income tax related to components of other comprehensive income that will be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will be reclassified to profit or loss	230,934	3	(2,209)	-
8300	Other comprehensive income	377,513	5	(13,873)	-
	Total comprehensive income	\$ 682,098	9	261,055	4
	Net income attributable to:				
8610	Shareholders of parent	\$ 283,995	4	236,362	3
8620	Non-controlling interests	20,590	-	38,566	1
		\$ 304,585	4	274,928	4
	Total comprehensive income attributable to:				
8710	Shareholders of parent	\$ 624,009	8	198,909	3
8720	Non-controlling interests	58,089	1	62,146	1
		\$ 682,098	9	261,055	4
9710	Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(r))	\$ 0.34		0.29	

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TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Total other equity interest		
											Unrealized		
											gains (losses) on financial assets measured at fair value through other comprehensive income		
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Financial statements translation differences for foreign operations	Gains (losses) on hedging instruments	Total	Total equity attributable to owners of parent	Non-controlling interests	Total equity		
Balance at January 1, 2018	\$ 8,257,099	41,043	3,770,512	1,491,172	5,461,684	512,008	11,721	1,117,690	14,877,516	1,565,930	16,443,446		
Net income	-	-	-	236,362	236,362	-	-	-	236,362	38,566	274,928		
Other comprehensive income (loss)	-	-	-	-	-	(25,280)	(509)	(37,453)	(37,453)	23,580	(13,873)		
Total comprehensive income (loss)	-	-	-	-	236,362	(25,280)	(509)	(37,453)	198,909	62,146	261,055		
Disposal of investments in equity instruments at fair value through other comprehensive income	-	-	-	(29,848)	(29,848)	-	-	29,848	-	-	-		
Balance at March 31, 2018	\$ 8,257,099	41,043	3,770,512	1,497,686	5,668,198	486,728	11,212	1,110,085	15,076,425	1,628,076	16,704,501		
Balance at January 1, 2019	\$ 8,257,099	45,158	3,857,922	1,951,564	5,809,486	465,589	(68,134)	1,199,260	15,311,003	1,570,838	16,881,841		
Net income	-	-	-	283,995	283,995	-	-	-	283,995	20,590	304,585		
Other comprehensive income (loss)	-	-	-	-	-	225,358	(31,923)	340,014	340,014	37,099	377,513		
Total comprehensive income (loss)	-	-	-	283,995	283,995	225,358	(31,923)	340,014	624,009	58,089	682,098		
Balance at March 31, 2019	\$ 8,257,099	45,158	3,857,922	2,235,559	6,093,481	690,947	(100,057)	1,539,274	15,935,012	1,628,927	17,563,939		

See accompanying notes to consolidated financial statements.

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TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the three months ended March 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the three months ended March 31	
	2019	2018
Cash flows from operating activities:		
Consolidated net income before tax	\$ 401,672	487,291
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	253,368	219,488
Amortization	38,618	37,074
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(971)	6,781
Interest expense	51,532	35,583
Interest income	(24,115)	(14,724)
Share of profit of associates and joint ventures accounted for under equity method	(99,687)	(30,120)
Loss on disposal of property, plan and equipment	250	213
Amortization of long-term prepaid rent	21,603	2,471
Total adjustments to reconcile profit and loss	240,598	256,766
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	(4,438)	(194)
Notes receivable	96,736	88,604
Accounts receivable	(476,269)	(343,168)
Other receivable	(15,771)	(24,362)
Inventories	268,525	92,440
Other current assets	(31,319)	(130,369)
Total changes in operating assets, net	(162,536)	(317,049)
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(2,065)	(40)
Accounts payable	294,457	(356,992)
Accounts payable—related parties	-	35,072
Other payable	(187,036)	(287,193)
Other current liabilities	(25,431)	44,758
Net defined benefit liability	(51,199)	(60,113)
Other operating liabilities	(8,241)	(296)
Total changes in operating liabilities, net	20,485	(624,804)
Total changes in operating assets and liabilities, net	(142,051)	(941,853)
Total adjustments	98,547	(685,087)
Cash provided by operating activities	500,219	(197,796)
Interest income received	23,465	14,844
Interest paid	(48,687)	(32,482)
Income taxes paid	(64,605)	(101,099)
Net cash provided by (used in) operating activities	410,392	(316,533)
Cash flows from investing activities:		
Acquisition of property, plant and equipment	(756,320)	(280,288)
Proceeds from disposal of property, plant and equipment	90	142
Decrease in other non-current assets	22,109	(12,258)
Net cash used in investing activities	(734,121)	(292,404)
Cash flows from financing activities:		
Increase in short-term borrowings	4,788,737	10,344,512
Decrease in short-term borrowings	(4,401,921)	(10,823,779)
Increase in short-term commercial paper payable	-	1,119,523
Decrease in short-term commercial paper payable	-	(1,470,000)
Proceeds from long-term borrowings	74,137	1,000,000
Repayments of long-term borrowings	(113,865)	(100,000)
Increase in other long-term borrowings	-	499,006
Decrease in finance lease liabilities	-	(1,639)
Payment of lease liabilities	(54,146)	-
Cash dividends paid	(139)	(153)
Net cash provided by financing activities	292,803	567,470
Effect of exchange rate changes on cash and cash equivalents	(27,900)	(45,185)
Net decrease in cash and cash equivalents	(58,826)	(86,652)
Cash and cash equivalents at beginning of period	4,527,752	3,560,440
Cash and cash equivalents at end of period	\$ 4,468,926	3,473,788

See accompanying notes to consolidated financial statements.

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

Notes to the Consolidated Financial Statements

For the three months ended March 31, 2019 and 2018

(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.

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were approved by the Board of Directors and issued on May 2, 2019.

(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, or after, January 1, 2019. 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>
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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Except for the following items, the Group believes that the adoption of the above IFRSs would not have any material impact on its consolidated 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".

The Group applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings on January 1, 2019. The details of the changes in accounting policies are disclosed below,

1) Definition of a lease

Previously, the Group determined at contract inception whether an arrangement is, or contains, a lease under IFRIC 4. Under IFRS 16, the Group assesses whether a contract is, or contains, a lease based on the definition of a lease, as explained in Note 4(c).

On transition to IFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed for whether there is a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on, or after, January 1, 2019.

2) As a lessee

As a lessee, the Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognizes the right-of-use assets and lease liabilities for most its leases, which are recorded in the balance sheet.

The Group decided to apply the recognition exemptions to the short-term leases of its buildings and leases of transportation equipment.

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

In addition, the Group used the following practical expedients when applying IFRS 16 to leases.

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemption not to recognize the right-of-use assets and liabilities for leases with less than 12 months of lease term.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.
- Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amounts of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

3) As a lessor

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor, except for a sub-lease. The Group recognizes its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, the Group is required to assess the classification of a sub-lease by reference to the right-of-use asset, not the underlying asset. On transition, the Group reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. The Group concluded that the sub-lease is a finance lease under IFRS 16.

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized the additional amounts of \$1,664,916 thousands of right-of-use assets and \$1,172,271 thousands of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.29%.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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The explanation of the differences between the operating lease commitments disclosed at the end of the annual reporting period immediately preceding the date of initial application, and the lease liabilities recognized in the statement of financial position at the date of initial application disclosed is as follows:

	<u>January 1, 2019</u>
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 374,441
Extension and termination options reasonably certain to be exercised	806,270
	<u>\$ 1,180,711</u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 1,136,433
Finance lease liabilities recognized as at December 31, 2018	35,838
Lease liabilities recognized at January 1, 2019	<u>\$ 1,172,271</u>

(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.

The Group does not expect the application of IFRIC 23 to have any significant impact on its consolidated financial statements on March 31, 2019.

(b) 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 International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
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
Amendments to IAS 1 and IAS 8 "Definition of Material"	January 1, 2020

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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, 2018. For the related information, please refer to note 4 to the consolidated financial statements for the year ended December 31, 2018.

(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.

(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, 2018. For the related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2018.

List of the subsidiaries included in the consolidated financial statements

Name of investor	Name of investee	Scope of business	Percentage of ownership			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
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 %	(notes 1, 5)
TSRC	TSRC (Vietnam) Co., Ltd.	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products	100.00 %	100.00 %	-	(notes 4, 5)
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	International commerce and investment	100.00 %	100.00 %	100.00 %	

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Name of investor	Name of investee	Scope of business	Percentage of ownership			Description
			March 31, 2019	December 31, 2018	March 31, 2018	
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)
Hardison International Corporation	TSRC Biotech Ltd.	Investment	-	-	100.00 %	(notes 3, 5)

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

Note 4: TSRC made the resolution to establish TSRC (Vietnam) Co., Ltd. by the Board of Directors in May 2018, and TSRC (Vietnam) Co., Ltd. has been established in October 2018.

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(c) Leases (applicable from January 1, 2019)

(i) Identifying a lease

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used. In rare cases where the decision about how, and for what purpose, the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset; or
 - the Group designed the asset in a way that predetermines how, and for what purpose, it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

(ii) As a lessee

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. In addition, the right-of-use asset is periodically reduced by using the impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be reliably determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments for purchase or termination options that are reasonably certain to be exercised.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when:

- there is a change in future lease payments arising from the change in an index or rate; or
- there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

When the lease liability is remeasured, other than lease modifications, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or in profit and loss if the carrying amount of the right-of-use asset has been reduced to zero.

When the lease liability is remeasured to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, the Group accounts for the remeasurement of the lease liability by decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease, and recognize in profit or loss any gain or loss relating to the partial or full termination of the lease.

The Group presents its right-of-use assets that do not meet the definition of investment and its lease liabilities as a separate line item respectively in the statement of financial position.

The Group has elected not to recognize the right-of-use assets and lease liabilities for its short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As a lessor

When the Group acts as a lessor, it determines, at lease commencement, whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers to the lessee substantially all of the risks and rewards of ownership incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then the lease is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, the Group applies IFRS15 to allocate the consideration in the contract.

(d) 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.

(e) Income tax

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

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

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

The preparation of the consolidated 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, 2018. For the related information, please refer to note 5 to the consolidated financial statements for the year ended December 31, 2018.

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(6) Description of Significant Accounts

Except as explained below, there are no significant differences in the description of significant accounts from the consolidated financial statements for the year ended December 31, 2018, and the related information is provided in note 6 to the consolidated financial statements for the year ended December 31, 2018.

(a) Cash and cash equivalents

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Cash on hand	\$ 448	433	443
Checking and savings deposits	1,473,625	1,593,472	1,029,031
Time deposits	2,920,853	2,933,847	2,444,314
Commercial paper with reverse repurchase agreements	74,000	-	-
Cash and cash equivalents per statements of cash flow	<u>\$ 4,468,926</u>	<u>4,527,752</u>	<u>3,473,788</u>

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward contracts/Swap contracts	<u>\$ 5,117</u>	<u>679</u>	<u>194</u>
Financial liabilities held for trading:			
Derivative instruments not used for hedging			
Forward contracts/Swap contracts	<u>\$ 1</u>	<u>2,066</u>	<u>186</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. 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:

March 31, 2019			
	Contract amount (thousand)	Currency	Maturity dates
Forward contracts	\$ 360	USD/EUR	2019.4.10
Swap contracts	15,320	USD/EUR	2019.4.9~2019.5.15
December 31, 2018			
	Contract amount (thousand)	Currency	Maturity dates
Swap contracts	\$ 14,960	USD/EUR	2019.1.4~2019.1.29
March 31, 2018			
	Contract amount (thousand)	Currency	Maturity dates
Forward contracts	\$ 967	EUR/TWD	2018.4.3~2018.5.29
Forward contracts	22,000	JPY/TWD	2018.4.19~2018.5.18

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

	March 31, 2019	December 31, 2018	March 31, 2018
Equity investments at fair value through other comprehensive income:			
Listed stocks (domestic)	\$ 360,036	305,631	224,022
Unlisted stocks (domestic and overseas)	1,086,525	994,175	883,045
Total	<u>\$ 1,446,561</u>	<u>1,299,806</u>	<u>1,107,067</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.

(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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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

- (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>
March 31, 2019			
THB	\$ 361,159	0.9740	351,769
December 31, 2018			
THB	367,531	0.9532	350,331
March 31, 2018			
THB	318,179	0.9384	298,580

- (d) Notes and accounts receivable

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Notes receivable	\$ 462,208	558,944	820,863
Accounts receivable	3,360,507	2,884,202	3,251,025
Less: loss allowance	<u>9,374</u>	<u>10,309</u>	<u>7,050</u>
	<u><u>\$ 3,813,341</u></u>	<u><u>3,432,837</u></u>	<u><u>4,064,838</u></u>

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. 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 loss allowance provision were determined as follows:

	<u>March 31, 2019</u>	
	<u>Weighted- average</u>	
<u>Gross carrying amount</u>	<u>expected credit loss rate</u>	<u>Loss allowance provision</u>
Current	\$ 3,776,111	0.13%~0.35% 6,487
1 to 30 days past due	38,071	1.03%~10.25% 1,945
31 to 90 days past due	<u>8,533</u>	10.98%~21.95% 942
	<u><u>\$ 3,822,715</u></u>	<u><u>9,374</u></u>

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2018			
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 3,364,574	0.04%~0.33%	3,417
1 to 30 days past due	60,182	0.45%~16.31%	1,996
31 to 90 days past due	17,659	5.98%~65.24%	4,165
More than 90 days past	731	100%	731
	<u>\$ 3,443,146</u>		<u>10,309</u>
March 31, 2018			
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 3,990,457	0.04%~0.33%	1,832
1 to 30 days past due	74,996	0.45%~16.31%	3,908
31 to 90 days past due	6,151	5.98%~32.62%	1,026
More than 90 days past	284	100%	284
	<u>\$ 4,071,888</u>		<u>7,050</u>

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

	For the three months ended March 31	
	2019	2018
Balance on January 1, 2019 and 2018	\$ 10,309	279
Impairment losses recognized (reversed)	(971)	6,781
Foreign exchange gain (loss)	36	(10)
Balance on March 31, 2019 and 2018	<u>\$ 9,374</u>	<u>7,050</u>

The Group did not hold any collateral for the collectible amounts. For other credit risk information, please refers to note 6(w).

(e) Other receivables (including related parties)

	March 31, 2019	December 31, 2018	March 31, 2018
Other receivables—related parties	\$ 53,289	42,427	76,313
Other	54,527	48,968	24,017
	<u>\$ 107,816</u>	<u>91,395</u>	<u>100,330</u>

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

As of March 31, 2019, December 31 and March 31, 2018, 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).

(f) Inventories

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Raw materials	\$ 1,764,742	1,713,308	1,563,834
Supplies	110,187	102,599	98,368
Work in progress	326,107	370,562	321,423
Finished goods	3,377,195	3,576,007	3,396,589
Merchandise	602,607	686,887	568,026
Total	<u>\$ 6,180,838</u>	<u>6,449,363</u>	<u>5,948,240</u>

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

	<u>For the three months ended March 31</u>	
	<u>2019</u>	<u>2018</u>
Loss on (reversal of) decline in market value of inventory	\$ (9,049)	18,150
Income from sale of scrap	(12,303)	(13,699)
Unallocated production overhead	14,055	-
Total	<u>\$ (7,297)</u>	<u>4,451</u>

(g) 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>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Associates	\$ 684,468	628,467	841,943
Joint ventures	479,463	438,911	320,200
	<u>\$ 1,163,931</u>	<u>1,067,378</u>	<u>1,162,143</u>

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(i) Associates

For the three months ended March 31, 2019 and 2018, the Group recognized its share of gain from the associates of \$33,356 thousand and \$29,362 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		
			March 31, 2019	December 31, 2018	March 31, 2018
Indian Synthetic Rubber Private Limited	Strategic alliance of production and sales of synthetic rubber products	India	50.00 % (Note 1)	50.00 % (Note 1)	34.04 %
ARLANXEO-TSRC (Nantong) Chemicals Industries Co., Ltd.	Strategic alliance of production and sales of NBR	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.

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 \$11,820 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.

	<u>March 31, 2018</u>
Current assets	\$ 2,282,505
Non-current assets	3,647,061
Current liabilities	(3,424,570)
Non-current liabilities	<u>(1,937,055)</u>
Equity	<u>\$ 567,941</u>
Equity attributable to the Group	<u>\$ 193,327</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31, 2018
Revenue	<u>\$ 1,324,113</u>
Net income of continued operations	<u>\$ 36,141</u>
Other comprehensive income (loss)	<u>-</u>
Total comprehensive income (loss)	<u>\$ 36,141</u>
Total comprehensive income attributable to the Group	<u>\$ 12,303</u>

	For the three months ended March 31, 2018
Beginning equity of the associate attributable to the Group	<u>\$ 205,093</u>
Current total comprehensive income of the associate attributable to the Group	12,303
Other	<u>(4,109)</u>
Ending balance of the equity of the associate attributable to the Group	<u>\$ 213,287</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Current assets	<u>\$ 598,770</u>	<u>716,347</u>	<u>558,500</u>
Non-current assets	849,054	822,219	930,868
Current liabilities	(958,690)	(1,094,043)	(1,072,120)
Non-current liabilities	<u>(14,471)</u>	<u>(13,709)</u>	<u>(33,326)</u>
Equity	<u>\$ 474,663</u>	<u>430,814</u>	<u>383,922</u>
Equity attributable to the Group	<u>\$ 237,331</u>	<u>215,407</u>	<u>191,961</u>

	For the three months ended March 31	
	2019	2018
Revenue	<u>\$ 506,463</u>	<u>435,411</u>
Net income of continued operations	33,446	17,029
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	<u>\$ 33,446</u>	<u>17,029</u>
Total comprehensive income attributable to the Group	<u>\$ 16,723</u>	<u>8,514</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31	
	2019	2018
Beginning equity of the associate attributable to the Group	\$ 219,835	181,347
Current total comprehensive income of the associate attributable to the Group	16,723	8,514
Other	3,859	5,675
Ending balance of the equity of the associate attributable to the Group	<u>\$ 240,417</u>	<u>195,536</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Balance of not significant associate's equity	<u>\$ 444,051</u>	<u>408,632</u>	<u>433,120</u>

	For the three months ended March 31	
	2019	2018
Attributable to the Group:		
Income from continued operation	\$ 16,633	8,545
Other comprehensive income	-	-
Total comprehensive income	<u>\$ 16,633</u>	<u>8,545</u>

(ii) Joint ventures

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

	March 31, 2019	December 31, 2018
Current assets	\$ 2,440,880	2,663,769
Non-current assets	3,751,349	3,484,344
Current liabilities	(2,690,304)	(2,424,997)
Non-current liabilities	(2,609,636)	(2,910,295)
Equity	<u>\$ 892,289</u>	<u>812,821</u>
Equity attributable to the Group	<u>\$ 446,144</u>	<u>406,411</u>

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	For the three months ended March 31, 2019
Revenue	\$ <u>1,221,584</u>
Net income of continued operations	\$ 127,011
Other comprehensive income (loss)	<u>-</u>
Total comprehensive income (loss)	\$ <u>127,011</u>
Total comprehensive income attributable to the Group	\$ <u>63,506</u>

	For the three months ended March 31, 2019
Beginning equity of the joint venture attributable to the Group	\$ 363,141
Current total comprehensive income of the joint venture attributable to the Group	31,583
Other	<u>4,328</u>
Ending balance of the equity of the joint venture attributable to the Group	\$ <u>399,052</u>

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

	March 31, 2019	December 31, 2018	March 31, 2018
Balance of not significant joint venture's equity	\$ <u>80,411</u>	<u>75,770</u>	<u>320,200</u>

	For the three months ended March 31	
	2019	2018
Attributable to the Group:		
Income from continued operation	\$ 2,825	758
Other comprehensive income (loss)	<u>-</u>	<u>-</u>
Total comprehensive income (loss)	\$ <u>2,825</u>	<u>758</u>

The liquidation of Taiwan Advance Material Corp. in December 2018 was approved by its Board of Directors and the Ministry of Economic Affairs in October 2017, wherein the remaining amount of \$245,391 thousands had been received by the Group.

- 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.

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(h) Property, plant and equipment

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

	Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Construction in progress	Total
Cost:								
Balance at January 1, 2019	\$ 614,101	106,999	3,998,164	20,282,127	228,273	94,596	1,210,859	26,535,119
Additions	-	-	-	5,157	-	-	729,065	734,222
Disposals	-	-	-	(10,337)	(1,244)	-	-	(11,581)
Reclassification	-	1,275	-	106,575	941	(94,596)	(116,215)	(102,020)
Effect of changes in exchange rates	-	70	62,420	184,626	2,126	-	21,880	271,122
Balance at March 31, 2019	\$ 614,101	108,344	4,060,584	20,568,148	230,096	-	1,845,589	27,426,862
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	-	-	-	222	87	-	229,742	230,051
Disposals	-	-	-	(3,491)	(57)	-	-	(3,548)
Reclassification	-	199	5,202	147,533	2,651	-	(158,823)	(3,238)
Effect of changes in exchange rates	-	(550)	39,158	25,030	6	-	2,538	66,182
Balance at March 31, 2018	\$ 614,101	105,780	4,092,451	20,113,669	219,761	94,596	639,539	25,879,897
Depreciation and impairment loss:								
Balance at January 1, 2019	\$ -	88,237	2,236,682	15,270,710	170,641	-	-	17,766,270
Depreciation	-	617	32,667	180,723	3,193	-	-	217,200
Disposal	-	-	-	(10,120)	(1,120)	-	-	(11,240)
Effect of changes in exchange rates	-	68	29,070	108,559	1,535	-	-	139,232
Balance at March 31, 2019	\$ -	88,922	2,298,419	15,549,872	174,249	-	-	18,111,462
Balance at January 1, 2018	\$ -	85,133	2,134,269	14,652,082	160,257	-	-	17,031,741
Depreciation	-	617	33,186	178,887	3,116	-	-	215,806
Disposal	-	-	-	(3,142)	(51)	-	-	(3,193)
Effect of changes in exchange rates	-	(541)	17,091	(14,496)	(269)	-	-	1,785
Balance at March 31, 2018	\$ -	85,209	2,184,546	14,813,331	163,053	-	-	17,246,139
Carrying value:								
January 1, 2019	\$ 614,101	18,762	1,761,482	5,011,417	57,632	94,596	1,210,859	8,768,849
March 31, 2019	\$ 614,101	19,422	1,762,165	5,018,276	55,847	-	1,845,589	9,315,400
January 1, 2018	\$ 614,101	20,998	1,913,822	5,292,293	56,817	94,596	566,082	8,558,709
March 31, 2018	\$ 614,101	20,571	1,907,905	5,300,338	56,708	94,596	639,539	8,633,758

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

(i) Right-of-use assets

The Group leases its assets including its land, buildings, machinery and transportation equipment. Information about leases, for which the Group is the lessee, is presented below:

	Land	Building	Machinery	Transportation equipment	Total
Cost:					
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	681,888	508,012	565,489	29,829	1,785,218
Balance at January 1, 2019	681,888	508,012	565,489	29,829	1,785,218
Amortization to operating costs and inventories	-	(8,852)	(12,751)	-	(21,603)
Effect of changes in foreign exchange rates	11,763	694	75	79	12,611
Balance at March 31, 2019	\$ 693,651	499,854	552,813	29,908	1,776,226

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	Land	Building	Machinery	Transportation equipment	Total
Accumulated depreciation and impairment losses:					
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	120,302	-	-	-	120,302
Balance at January 1, 2019	120,302	-	-	-	120,302
Depreciation	3,159	23,426	3,739	2,162	32,486
Effect of changes in exchange rates	2,879	16	15	6	2,916
Balance at March 31, 2019	<u>\$ 126,340</u>	<u>23,442</u>	<u>3,754</u>	<u>2,168</u>	<u>155,704</u>
Carrying value:					
March 31, 2019	<u>\$ 567,311</u>	<u>476,412</u>	<u>549,059</u>	<u>27,740</u>	<u>1,620,522</u>

The Group leases land classified as property, plant and equipment and land lease prepayment under the other non-current assets as of December 31, March 31 and January 1, 2018, the related information is provided in notes 6(j) and 6(m) to the consolidated financial statements for the year ended December 31, 2018. The Group leases offices and factory facilities under an operating lease, the related information is provided in note 6(p) to the consolidated financial statements for the year ended December 31, 2018.

(j) Investment property

	<u>Owned property</u> <u>Buildings</u>
Carrying value:	
January 1, 2019	\$ <u>1,596,324</u>
March 31, 2019	\$ <u>1,592,642</u>
January 1, 2018	\$ <u>1,611,050</u>
March 31, 2018	\$ <u>1,607,368</u>

There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's investment properties for the three months ended March 31, 2019 and 2018. The related information is provided in note 6(k) to the consolidated financial statements for the year ended December 31, 2018.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(k) to the consolidated financial statements for the year ended December 31, 2018.

(k) Intangible assets

	Industrial technology and know-how	Computer software	Goodwill	Patent and trademark	Customer relationship	Total
Carrying value:						
January 1, 2019	\$ 562,801	24,801	211,100	424,603	628,296	1,851,601
March 31, 2019	\$ 551,874	23,612	211,732	419,824	614,807	1,821,849
January 1, 2018	\$ 596,151	35,658	205,021	435,806	669,714	1,942,350
March 31, 2018	\$ 571,216	33,495	200,020	419,461	638,880	1,863,072

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There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's intangible assets for the three months ended March 31, 2019 and 2018. The amortization of intangible assets of the Group is provided in note 12(a), and the related information is provided in note 6(I) to the consolidated financial statements for the year ended December 31, 2018.

(I) 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

March 31, 2019		
	Range of interest rates (%)	Year of maturity
		Amount
Unsecured loans	0.55~5.22	2019 \$ <u>4,422,327</u>
December 31, 2018		
	Range of interest rates (%)	Year of maturity
		Amount
Unsecured loans	0.55~5.66	2019 \$ <u>4,147,772</u>
March 31, 2018		
	Range of interest rates (%)	Year of maturity
		Amount
Unsecured loans	0.40~5.22	2018~2019 \$ <u>5,871,152</u>

As of March 31, 2019, December 31 and March 31, 2018, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to \$17,157,194 thousand, \$15,664,492 thousand and \$14,305,089 thousand, respectively.

(ii) Long-term borrowings

1) Long-term bank borrowings

March 31, 2019		
	Range of interest rates (%)	Year of maturity
		Amount
Secured loans	4.25~4.38	2020~2023 \$ 756,759
Unsecured loans	1.12~5.08	2019~2023 <u>3,774,452</u>
Total		<u>\$ 4,531,211</u>
Current		\$ 750,000
Non-current		<u>3,781,211</u>
Total		<u>\$ 4,531,211</u>

(Continued)

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December 31, 2018			
	Range of interest rates (%)	Year of maturity	Amount
Secured loans	4.25~4.38	2020~2023	\$ 768,325
Unsecured loans	1.05~1.44	2019~2023	3,800,000
Total			<u>\$ 4,568,325</u>
Current			\$ 850,000
Non-current			3,718,325
Total			<u>\$ 4,568,325</u>

March 31, 2018			
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	1.05~1.44	2019~2023	\$ 2,500,000
Current			\$ 800,000
Non-current			1,700,000
Total			<u>\$ 2,500,000</u>

For the three months ended March 31, 2019 and 2018, the Group repaid the amounts of \$113,865 thousand and \$100,000 thousand, respectively, for its long-term borrowings, wherein the proceeds amounting to \$74,137 thousand and \$1,000,000 thousand had the interest rates of 5.08% and 1.05% to 1.36%, as well as maturities ranging from May 2020 to November 2022 and March 2021 to March 2023, respectively. Please refer to note 6(n) of the consolidated financial statements for year ended December 31, 2018 for related information.

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

	March 31, 2019	December 31, 2018	March 31, 2018
Long-term commercial paper payable	\$ 500,000	500,000	500,000
Less: discount on long-term commercial paper payable	339	307	925
Total	<u>\$ 499,661</u>	<u>499,693</u>	<u>499,075</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 March 31, 2019, December 31 and March 31, 2018 was 1.3763%, 1.2457% and 1.2513%, respectively.

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

(m) Current provisions (recorded as other payable)

	Provision for defective products
Balance at January 1, 2019	\$ 27,128
Increase in provisions	6,815
Provisions recognized	(33)
Reversal of unused provisions	(8,399)
Effect of changes in exchange rates	410
Balance at March 31, 2019	<u>\$ 25,921</u>
Balance at January 1, 2018	\$ 28,324
Increase in provisions	9,510
Provisions recognized	(1,483)
Reversal of unused provisions	(2,648)
Effect of changes in exchange rates	157
Balance at March 31, 2018	<u>\$ 33,860</u>

(n) Lease liabilities

The Group's lease liabilities were as follow:

	March 31, 2019		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 228,712	10,189	218,523
Between one and five years	698,404	21,472	676,932
More than five years	235,932	10,467	225,465
	<u>\$ 1,163,048</u>	<u>42,128</u>	<u>1,120,920</u>
Current	<u>\$ 228,712</u>	<u>10,189</u>	<u>218,523</u>
Non-current	<u>\$ 934,336</u>	<u>31,939</u>	<u>902,397</u>

There were no significant issues, repurchases and repayments of lease liabilities for the three month ended March 31, 2019.

(Continued)

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The amounts recognized in profit or loss were as follows:

	For the three months ended March 31 2019
Interest on lease liabilities	\$ <u>2,795</u>
Expenses relating to short-term leases	\$ <u>773</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>4,235</u>

The amounts recognized in the statement of cash flows for the Group was as follows:

	For the three months ended March 31 2019
Total cash outflow for leases	\$ <u>54,146</u>

(o) 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 \$51,960 thousand to the Bank of Taiwan labor pension reserve account in March 2019. 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, 2018 and 2017.

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

	For the three months ended March 31	
	2019	2018
Operating costs	\$ 1,153	1,370
Operating expenses	<u>735</u>	<u>899</u>
	<u>\$ 1,888</u>	<u>2,269</u>

(Continued)

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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 March 31	
	2019	2018
Operating costs	\$ 23,740	17,307
Operating expenses	12,019	9,143
	<u>\$ 35,759</u>	<u>26,450</u>

(p) Income tax

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

The components of income tax expense were as follows:

	For the three months ended March 31	
	2019	2018
Current income tax expense		
Current period	\$ 55,363	221,552
Deferred tax expense		
Origination and reversal of temporary differences	41,724	(9,189)
Income tax expenses on continuing operations	<u>\$ 97,087</u>	<u>212,363</u>

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

(q) Capital and other equity

Except as explained in the following paragraphs, there were no significant changes in the capital and other equity during the three months ended March 31, 2019 and 2018. Please refer to note 6(s) to the consolidated financial statements for the year ended December 31, 2018, for the related information.

(i) 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.

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TSRC CORPORATION AND SUBSIDIARIES
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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.

On March 14, 2019, the Company's board of directors resolved to appropriate the 2018 earnings. On June 21, 2018, the shareholder's meetings resolved to distribute the 2017 earnings. These earnings were appropriated as follows:

	2018		2017	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 0.98	<u>809,196</u>	0.96	<u>792,682</u>
(ii) Other equities (net for tax)				
	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Balance as of January 1, 2019	\$ 465,589	801,805	(68,134)	1,199,260
Foreign exchange differences arising from foreign operations	195,425	-	-	195,425
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	29,933	-	-	29,933
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	146,579	-	146,579
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	(31,923)	(31,923)
Balance as of March 31, 2019	<u>\$ 690,947</u>	<u>948,384</u>	<u>(100,057)</u>	<u>1,539,274</u>

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	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Available-for- sale financial assets	Gains (losses) on hedging instruments	Total
Balance as of January 1, 2018	\$ 512,008	-	623,809	11,721	1,147,538
Effects of retrospective application	-	593,961	(623,809)	-	(29,848)
Balance at January 1, 2018 after adjustments	512,008	593,961	-	11,721	1,117,690
Foreign exchange differences arising from foreign operations	(49,831)	-	-	-	(49,831)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	24,551	-	-	-	24,551
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	18,184	-	-	18,184
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	-	(509)	(509)
Balance as of March 31, 2018	<u>\$ 486,728</u>	<u>612,145</u>	<u>-</u>	<u>11,212</u>	<u>1,110,085</u>

(r) Earnings per share

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

(i) Basic earnings per share

	For the three months ended March 31	
	2019	2018
Net income attributable to common shareholders of the Company	\$ <u>283,995</u>	<u>236,362</u>
Weighted-average number of common shares	<u>825,710</u>	<u>825,710</u>
Basic earnings per share (in NT dollars)	\$ <u>0.34</u>	<u>0.29</u>

(ii) Diluted earnings per share

	For the three months ended March 31	
	2019	2018
Net income attributable to common shareholders of the Company (diluted)	\$ <u>283,995</u>	<u>236,362</u>
Weighted-average number of common shares (basic)	825,710	825,710
Impact of potential common shares		
Effect of employees' bonuses	<u>2,273</u>	<u>1,349</u>
Weighted-average number of shares outstanding (diluted)	<u>827,983</u>	<u>827,059</u>
Diluted earnings per share (in NT dollars)	\$ <u>0.34</u>	<u>0.29</u>

(Continued)

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(s) Employees' compensation and directors' remuneration

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

For the three months ended March 31, 2019 and 2018, the estimated amounts of employees' bonuses were \$11,100 thousand and \$3,356 thousand, respectively, and the estimated amounts of directors' remuneration were \$2,857 thousand and \$2,870 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. If there are any subsequent adjustments to the actual remuneration amounts after the annual shareholder' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

For the years ended December 31, 2018 and 2017, the Company estimated its employees' compensation were \$64,290 thousand and \$49,732 thousand, respectively, and the estimated amounts of directors' remuneration were \$14,064 thousand and \$9,558 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.

(t) Revenue from contracts with customers

	For the three months ended March 31, 2019		
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	\$ 4,664,998	529,815	5,194,813
America	1,237,607	4,472	1,242,079
Europe	868,754	-	868,754
Others	255,349	-	255,349
	<u>\$ 7,026,708</u>	<u>534,287</u>	<u>7,560,995</u>
Major product lines:			
Synthetic rubber / elastomers	6,971,004	-	6,971,004
Applied materials	-	534,189	534,189
Others	55,704	98	55,802
	<u>\$ 7,026,708</u>	<u>534,287</u>	<u>7,560,995</u>

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For the three months ended March 31, 2018			
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	\$ 4,984,446	346,602	5,331,048
America	1,040,918	4,205	1,045,123
Europe	941,347	-	941,347
Others	199,471	-	199,471
	<u>\$ 7,166,182</u>	<u>350,807</u>	<u>7,516,989</u>
Major product lines:			
Synthetic rubber / elastomers	7,108,773	-	7,108,773
Applied materials	-	350,200	350,200
Others	57,409	607	58,016
	<u>\$ 7,166,182</u>	<u>350,807</u>	<u>7,516,989</u>

(u) Other income and expenses

For the three months ended March 31		
	2019	2018
Rental income	\$ 20,952	17,005
Royalty income	24,933	24,709
Net service income	3,144	6,220
Depreciation of investment properties	(3,682)	(3,682)
Net other income	6,219	7,544
Other income and expenses	<u>\$ 51,566</u>	<u>51,796</u>

(v) Non-operating income and expenses

(i) Other gains

For the three months ended March 31		
	2019	2018
Interest income	<u>\$ 24,115</u>	<u>14,724</u>

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(ii) Other gains and losses

	For the three months ended March 31	
	2019	2018
Loss on disposal of property, plant and equipment, net	\$ (250)	(213)
Foreign exchange gain (loss), net	(2,586)	9,732
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	14,097	(512)
Other income (loss)	794	(1,028)
Other gains and losses, net	<u>\$ 12,055</u>	<u>7,979</u>

(iii) Finance costs

	For the three months ended March 31	
	2019	2018
Interest expense	<u>\$ 51,532</u>	<u>35,583</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(aa) to the consolidated financial statements for the year ended December 31, 2018.

(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
March 31, 2019						
Non-derivative financial liabilities						
Short-term debts	\$ 4,601,530	4,122,568	478,962	-	-	-
Accounts payable (including related parties)	1,808,979	1,808,979	-	-	-	-
Other payables	931,675	931,675	-	-	-	-
Long-term debts (including other long-term borrowings and current portion)	5,229,863	445,885	444,056	1,197,628	3,142,294	-
Lease liabilities	1,163,048	114,356	114,356	195,240	503,164	235,932
Deposits received	40,813	-	-	40,813	-	-
Provision for guarantee liabilities—non-current	2,852,359	587,382	799,248	439,256	1,026,473	-
Derivative financial liabilities						
Other swap contracts:						
Outflow	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 16,628,268</u>	<u>8,010,846</u>	<u>1,836,622</u>	<u>1,872,937</u>	<u>4,671,931</u>	<u>235,932</u>

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	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2018						
Non-derivative financial liabilities						
Short-term debts	\$ 4,173,699	3,936,374	237,325	-	-	-
Accounts payable (including related parties)	1,514,522	1,514,522	-	-	-	-
Other payables	997,500	997,500	-	-	-	-
Long-term debts (including current portion)	5,286,619	468,567	466,625	628,261	3,723,166	-
Deposits received	49,266	-	-	49,266	-	-
Provision for guarantee liabilities—non-current	2,992,087	732,738	797,995	437,945	1,023,409	-
Derivative financial liabilities						
Other swap contracts:						
Outflow	2,066	2,066	-	-	-	-
	<u>\$ 15,015,759</u>	<u>7,651,767</u>	<u>1,501,945</u>	<u>1,115,472</u>	<u>4,746,575</u>	<u>-</u>
March 31, 2018						
Non-derivative financial liabilities						
Short-term debts	\$ 5,904,563	5,623,647	280,916	-	-	-
Accounts payable (including related parties)	1,506,835	1,506,835	-	-	-	-
Other payables	677,093	677,093	-	-	-	-
Long-term debts (including current portion)	3,093,950	417,889	417,230	724,387	1,534,444	-
Deposits received	83,958	41,979	-	41,979	-	-
Provision for guarantee liabilities—non-current	2,516,269	371,760	759,853	-	1,384,656	-
Derivative financial liabilities						
Other forward contracts:						
Outflow	186	186	-	-	-	-
	<u>\$ 13,782,854</u>	<u>8,639,389</u>	<u>1,457,999</u>	<u>766,366</u>	<u>2,919,100</u>	<u>-</u>

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Currency risk

1) Risk exposure

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
March 31, 2019			
Financial assets:			
Monetary assets:			
USD	\$ 51,312	30.8250	1,581,692
EUR	\$ 16,793	34.6226	581,417
JPY	\$ 221,640	0.2783	61,682
CNY	\$ 11,406	4.5808	52,249
Financial liabilities:			
Monetary liabilities:			
USD	\$ 65,372	30.8250	2,015,092
EUR	\$ 14,297	34.6226	495,012
JPY	\$ 178,691	0.2783	49,730
December 31, 2018			
Financial assets:			
Monetary assets:			
USD	\$ 39,364	30.7330	1,209,774
EUR	\$ 12,984	35.2047	457,098
JPY	\$ 77,582	0.2784	21,599
CNY	\$ 17,665	4.4742	79,037
Financial liabilities:			
Monetary liabilities:			
USD	\$ 56,225	30.7330	1,727,963
EUR	\$ 11,634	35.2047	409,571
JPY	\$ 24,691	0.2784	6,874

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
March 31, 2018			
Financial assets:			
Monetary assets:			
USD	\$ 40,378	29.1200	1,175,807
EUR	\$ 19,617	35.8875	704,005
JPY	\$ 292,089	0.2742	80,091
CNY	\$ 10,266	4.6470	47,706
Financial liabilities:			
Monetary liabilities:			
USD	\$ 67,126	29.1200	1,954,709
EUR	\$ 16,412	35.8875	588,986
JPY	\$ 221,453	0.2742	60,722

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 \$2,828 thousand and \$5,968 thousand for the three months ended March 31, 2019 and 2018, 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. For the three months ended March 31, 2019 and 2018, foreign exchange gain (loss) (including realized and unrealized) amounting to \$(2,586) thousand and \$9,732 thousand, respectively.

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 \$23,633 thousand and \$22,176 thousand for the three months ended March 31, 2019 and 2018, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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.

	March 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 5,117	-	5,117	-	5,117
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	360,036	360,036	-	-	360,036
Unlisted stocks (domestic and overseas)	1,086,525	-	-	1,086,525	1,086,525
Subtotal	1,446,561	360,036	-	1,086,525	1,446,561
Financial assets measured at amortized cost					
Cash and cash equivalents	4,468,926	-	-	-	-
Accounts and notes receivables	3,813,341	-	-	-	-
Other receivables	107,816	-	-	-	-
Refundable deposit	45,915	-	-	-	-
Subtotal	8,435,998	-	-	-	-
Total	\$ 9,887,676	360,036	5,117	1,086,525	1,451,678

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

		March 31, 2019				
		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	\$	1	-	1	-	1
Financial liabilities measured at amortized cost						
Short-term borrowings		4,422,327	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)		5,030,872	-	-	-	-
Notes and accounts payable		1,808,979	-	-	-	-
Other payables		931,675	-	-	-	-
Lease liabilities		1,120,920	-	-	-	-
Deposits received		40,813	-	-	-	-
Subtotal		13,355,586	-	-	-	-
Total		\$13,355,587	-	1	-	1
		December 31, 2018				
		Carrying amount	Fair value			
			Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss						
Derivative financial assets for hedging	\$	679	-	679	-	679
Financial assets at fair value through other comprehensive income						
Listed stocks (domestic)		305,631	305,631	-	-	305,631
Unlisted stocks (domestic and overseas)		994,175	-	-	994,175	994,175
Subtotal		1,299,806	305,631	-	994,175	1,299,806
Financial assets measured at amortized cost						
Cash and cash equivalents		4,527,752	-	-	-	-
Accounts and notes receivables		3,432,837	-	-	-	-
Other receivables		91,395	-	-	-	-
Refundable deposit		64,341	-	-	-	-
Subtotal		8,116,325	-	-	-	-
Total		\$ 9,416,810	305,631	679	994,175	1,300,485

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

December 31, 2018					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 2,066	-	2,066	-	2,066
Financial liabilities measured at amortized cost					
Short-term borrowings	4,147,772	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	5,068,018	-	-	-	-
Notes and accounts payable	1,514,522	-	-	-	-
Other payables	997,500	-	-	-	-
Deposits received	49,266	-	-	-	-
Subtotal	<u>11,777,078</u>	-	-	-	-
Total	<u>\$11,779,144</u>	-	<u>2,066</u>	-	<u>2,066</u>
March 31, 2018					
	Carrying amount	Fair value			Total
		Level 1	Level 2	Level 3	
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 194	-	194	-	194
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	224,022	224,022	-	-	224,022
Unlisted stocks (domestic and overseas)	883,045	-	-	883,045	883,045
Subtotal	<u>1,107,067</u>	<u>224,022</u>	-	<u>883,045</u>	<u>1,107,067</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	3,473,788	-	-	-	-
Accounts and notes receivables	4,064,838	-	-	-	-
Other receivables	100,330	-	-	-	-
Refundable deposit	31,086	-	-	-	-
Subtotal	<u>7,670,042</u>	-	-	-	-
Total	<u>\$ 8,777,303</u>	<u>224,022</u>	<u>194</u>	<u>883,045</u>	<u>1,107,261</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount	March 31, 2018			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 186	-	186	-	186
Financial liabilities measured at amortized cost					
Short-term borrowings	5,871,152	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	2,999,075	-	-	-	-
Notes and accounts payable	1,506,835	-	-	-	-
Other payables	677,093	-	-	-	-
Deposits received	41,979	-	-	-	-
Subtotal	11,096,134	-	-	-	-
Total	<u>\$11,096,320</u>	<u>-</u>	<u>186</u>	<u>-</u>	<u>186</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, 2019	\$ 994,175
Total gains recognized:	
In other comprehensive income	92,350
Balance at March 31, 2019	<u>\$ 1,086,525</u>
Balance at January 1, 2018	\$ 885,097
Total losses recognized:	
In other comprehensive income	(2,052)
Balance at March 31, 2018	<u>\$ 883,045</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:

Item	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets at fair value through other comprehensive income equity investments without an active market	Comparative listed company	<p>Multipliers of price-to-earnings ratios as of March 31, 2019, December 31, 2018 and March 31, 2018 were 12.03~18.51, 13.20~17.32 and 14.29~16.12, respectively</p> <p>Market illiquidity discount rate as of March 31, 2019, December 31, 2018 and March 31, 2018 was both 20%</p>	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> the multiplier were higher (lower) the market illiquidity discount were lower (higher)

- 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:

			Other comprehensive income	
	Input	Assumptions	Favourable	Unfavourable
March 31, 2019				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 13,578	(13,578)
December 31, 2018				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	12,431	(12,431)
March 31, 2018				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 11,157	(11,157)

(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(ab) to the consolidated financial statements for the year ended December 31, 2018.

(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, 2018. 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, 2018. For further information, please refer to note 6(ac) to the consolidated financial statements for the year ended December 31, 2018.

(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 three months ended March 31, 2019 and 2018.

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

Reconciliation of liabilities arising from financing activities were as follows:

	January 1, 2019	Cash flows	Non-cash changes Foreign exchange movement	Amortization of commercial paper discount	March 31, 2019
Long-term borrowings (including current portion)	\$ 4,568,325	(39,728)	2,614	-	4,531,211
Other long-term borrowings	499,693	-	-	(32)	499,661
Short-term borrowings	4,147,772	386,816	(112,261)	-	4,422,327
Lease liabilities	1,172,271	(54,146)	-	2,795	1,120,920
Total liabilities from financing activities	<u>\$ 10,388,061</u>	<u>292,942</u>	<u>(109,647)</u>	<u>2,763</u>	<u>10,574,119</u>

	January 1, 2018	Cash flows Proceeds from borrowings	Repayments of borrowings	Non-cash changes Foreign exchange movement	Amortization of commercial paper discount	March 31, 2018
Long-term borrowings (including current portion)	\$ 1,600,000	1,000,000	(100,000)	-	-	2,500,000
Other long-term borrowings	-	499,006	-	-	69	499,075
Short-term borrowings	6,365,254	10,344,512	(10,823,779)	(14,835)	-	5,871,152
Short-term commercial paper payable	349,975	1,119,523	(1,470,000)	-	502	-
Total liabilities from financing activities	<u>\$ 8,315,229</u>	<u>12,963,041</u>	<u>(12,393,779)</u>	<u>(14,835)</u>	<u>571</u>	<u>8,870,227</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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	//
Taiwan Advanced Material Corp	The Group recognized joint venture under equity method (has been liquidated in December, 2018)
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:

	For the three months ended March 31	
	2019	2018
Associates	\$ <u>16,987</u>	<u>-</u>

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Purchases

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

	For the three months ended March 31	
	2019	2018
Others	\$ <u>151,431</u>	<u>185,346</u>

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

(iii) Service income and expenses

The Group provided 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 March 31	
	2019	2018
Associates		
Indian Synthetic Rubber Private Limited	\$ -	15,197
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	37,151	40,595
Joint ventures		
Indian Synthetic Rubber Private Limited	14,009	-
Others	1,116	1,587
Other related parties		
Others	(828)	(685)
	<u>\$ 51,448</u>	<u>56,694</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Receivable from related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Other receivable	Associates			
	Indian Synthetic Rubber Private Limited	\$ -	-	48,068
	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	30,262	21,365	27,997
Other receivable	Joint ventures			
	Indian Synthetic Rubber Private Limited	22,775	20,820	-
	Others	252	242	248
		<u>\$ 53,289</u>	<u>42,427</u>	<u>76,313</u>

(v) Payable to related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Accounts payable	Other related parties	\$ -	-	70,735
Other payable	Other related parties	871	908	688
		<u>\$ 871</u>	<u>908</u>	<u>71,423</u>

(vi) Guarantees

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Associates			
Indian Synthetic Rubber Private Limited	\$ -	-	1,384,656
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	1,386,630	1,530,733	1,131,613
Joint ventures			
Indian Synthetic Rubber Private Limited	1,465,729	1,461,354	-
	<u>\$ 2,852,359</u>	<u>2,992,087</u>	<u>2,516,269</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Associates			
Indian Synthetic Rubber Private Limited	\$ -	-	30,529
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	3,086	4,428	3,574
Joint ventures			
Indian Synthetic Rubber Private Limited	20,934	24,761	-
	<u>\$ 24,020</u>	<u>29,189</u>	<u>34,103</u>

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	For the three months ended March 31	
	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 27,793	28,032
Post-employment benefits	362	297
	<u>\$ 28,155</u>	<u>28,329</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>March 31, 2019</u>	<u>December 31, 2018</u>	<u>March 31, 2018</u>
Restricted savings deposits (recorded as other non-current assets)	Deposit for safety production	\$ -	-	1,394
Machinery etc. (recorded property, plant and equipment)	Guarantee for long-term borrowings	350,221	361,731	-
		<u>\$ 350,221</u>	<u>361,731</u>	<u>1,394</u>

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(9) Commitments and Contingencies

- (a) As of March 31, 2019, December 31 and March 31, 2018, the Group's unused letters of credit outstanding for purchases of materials were \$1,465,925 thousand, \$2,050,872 thousand and \$1,317,104 thousand, respectively.
- (b) As of March 31, 2019, December 31 and March 31, 2018, the Group's signed construction and design contracts with several factories totaled \$2,105,836 thousand, \$1,717,411 thousand and \$1,011,188 thousand, respectively, of which \$1,119,903 thousand, \$466,392 thousand and \$144,055 thousand, respectively, were paid.

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Others

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

By nature	By function Three months ended March 31, 2019			Three months ended March 31, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	252,049	167,609	419,658	231,442	152,117	383,559
Labor and health insurance	23,102	15,955	39,057	20,717	14,557	35,274
Pension	24,893	12,754	37,647	18,677	10,042	28,719
Directors' remuneration	-	5,876	5,876	-	5,908	5,908
Others (note 1)	38,663	19,028	57,691	31,066	21,891	52,957
Depreciation (note 2)	209,109	40,577	249,686	186,670	29,136	215,806
Amortization	1,549	37,069	38,618	2,394	34,680	37,074

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 \$3,682 thousand for the three months ended March 31, 2019 and 2018 were excluded.

- (b) Seasonality or cyclicity of interim operations

The Group's operations were not affected by seasonality or cyclicity factors.

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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	151,879	151,166	151,166	3.915%	2	-	Operating capital	-	-	-	225,998 (Note 1)	451,995 (Note 2)

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

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

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

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

Note 5: 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 6: 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
		Name	Relationship with the company										
0	TSRC	TSRC (USA) Investment Corporation	4	(Note 2)	462,375	462,375	462,375	-	2.90 %	(Note 3)	Y		
0	TSRC	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,557,702	1,386,630	461,419	-	8.70 %	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,465,729	1,465,729	1,465,729	-	9.20 %	(Note 3)			
0	TSRC	TSRC (Vietnam) Co., Ltd.	4	(Note 2)	400,725	400,725	-	-	2.51 %	(Note 3)	Y		
0	TSRC	Dexco Polymers L.P.	4	(Note 2)	308,250	308,250	294,384	-	1.93 %	(Note 3)	Y		

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 \$7,967,506 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$23,902,518 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 March 31, 2019 (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	
TSRC	Taiwan High Speed Rail Corporation	-	Financial assets at fair value through other comprehensive income—non-current	10,001,000	360,036	0.18 %	360,036
TSRC	Evergreen Steel Corporation	-	Financial assets at fair value through other comprehensive income—non-current	12,148,000	437,085	3.00 %	437,085
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	599,999	146,820	5.42 %	146,820
TSRC	Hsin-Yung Enterprise Corporation	-	Financial assets at fair value through other comprehensive income—non-current	5,657,000	297,671	3.90 %	297,671
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	837,552	204,949	7.57 %	204,949
					<u>1,446,561</u>		<u>1,446,561</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	Balance	Percentage of total accounts / notes receivable (payable)	
TSRC (Lux.) Corporation S.'a r.l.	Dexco Polymers L.P.	Related parties	Purchase	247,335	36.49 %	90 days	-	(79,358)	(18.06) %	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	Related parties	Sale	(247,335)	(20.92) %	90 days	-	79,358	18.78 %	
TSRC (Lux.) Corporation S.'a r.l.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	389,337	57.44 %	70 days	-	(326,881)	74.38 %	
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	Related parties	Sale	(389,337)	(35.37) %	70 days	-	326,881	48.49 %	

Note 1: The transactions within the Group were eliminated in 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	326,881	5.27	-		142,946	-

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

Note 2: Until May 2, 2019.

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(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	14,520	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.19 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	13,325	"	0.18 %
0	TSRC	TSRC (Lux.) Corporation S.'a r.l.	1	Sales revenue	40,752	"	0.54 %
0	TSRC	TSRC (Lux.) Corporation S.'a r.l.	1	Accounts receivable	36,874	"	0.11 %
0	TSRC	Polybus Corporation Pte Ltd	1	Sales revenue	20,486	"	0.27 %
0	TSRC	Dexco Polymers L.P.	1	Sales revenue	58,831	"	0.78 %
0	TSRC	Dexco Polymers L.P.	1	Accounts receivable	58,994	"	0.18 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	12,795	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.17 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3	Sales revenue	14,562	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.19 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	69,033	"	0.91 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Accounts receivable	33,686	"	0.10 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	389,337	"	5.15 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	326,881	"	1.01 %
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	58,189	"	0.77 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	247,335	The transaction is not significantly different from normal transactions, and the collection terms were about three months	3.27 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	79,358	"	0.25 %
2	Dexco Polymers L.P.	TSRC	2	Other income and expenses	8,266	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.11 %
3	TSRC (Lux.) Corporation S.'a r.l.	TSRC	2	Other income and expenses	14,183	"	0.19 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Sales revenue	13,727	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.18 %

(Continued)

TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Entrusted loans	151,166	One year based on the contract of entrusted loans	0.47 %
5	TSRC-UBE (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	15,554	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.21 %
0	TSRC	TSRC(USA) Investment Corporation	1	Note 4	462,375	-	-
0	TSRC	TSRC (Vietnam) Co., Ltd.	1	Note 4	400,725	-	-
0	TSRC	Dexco Polymers L.P.	1	Note 4	308,250	-	-

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 three months ended March 31, 2019 (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	
				March 31, 2019	December 31, 2018	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 %	13,500,888	211,594	211,594	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 %	897,284	18,286	18,286	Subsidiary	
TSRC	Dynas 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 %	182,074	18,839	3,670	Subsidiary (note 2)	
TSRC	TSRC (Vietnam) Co., Ltd.	8 VSIP D-A Street 31, Vietnam Singapore Industrial Park II-A, Tan Uyen Town, Binh Duong Province, Vietnam	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products	278,280	278,280	-	100.00 %	273,281	(1,935)	(1,935)	Subsidiary	
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	100 Pack Seah Street #09-16 Singapore 079333	International commerce and investment corporation	2,006,738 (USD65,101)	2,006,738 (USD65,101)	105,830,000	100.00 %	8,387,051	189,318	189,318	Indirectly owned subsidiary	
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F Bae Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation	2,399,726 (USD77,850)	2,399,726 (USD77,850)	77,850,000	100.00 %	3,211,010	(40,357)	(40,357)	Indirectly owned subsidiary	
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Bldg, 1 Sri Aurobindo Marg, Vasant Sarai, New Delhi 110016, India	Production and sale of synthetic rubber products	908,505 (USD29,473)	908,505 (USD29,473)	222,861,375	50.00 %	399,052	127,011	63,506	-	
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.à r.l.	34-36 avenue de la Liberté, L-1930, Luxembourg	International commerce and investment corporation	1,738,828 (EUR50,800)	1,738,828 (EUR50,800)	50,800,000	100.00 %	2,640,842	(55,090)	(55,090)	Indirectly owned subsidiary	
TSRC (Lux.) Corporation S.à r.l.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, County of New Castle, Wilmington, Delaware, USA	Investment corporation	2,159,291 (USD70,050)	2,159,291 (USD70,050)	100	100.00 %	2,583,532	(42,195)	(42,195)	Indirectly owned subsidiary	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12011 Wickchester Lane, Suite 280, Houston, TX, USA	Production and sale of TPE	5,937,419 (USD192,617)	5,937,419 (USD192,617)	-	100.00 %	1,556,645	6,428	6,428	Indirectly owned subsidiary	
Hardison International Corporation	Trison International Holdings Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	1,541 (USD50)	1,541 (USD50)	50,000	100.00 %	121,038	3,117	3,117	Indirectly owned subsidiary	
Hardison International Corporation	Dynas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	147,929 (USD4,799)	147,929 (USD4,799)	4,798,566	80.52 %	773,912	18,839	15,169	Indirectly owned subsidiary	
Dynas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	347,860 (USD11,283)	347,860 (USD11,283)	7,522,337	37.78 %	444,051	44,025	16,633	-	

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TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.825; EUR1 to NTD34.6226).

Note 2: TSRC directly owns 39.48% of Dynast's equity and indirectly owns 80.52% via Harrison 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, 2019	Investment flow during current period		Cumulative investment (amount) from Taiwan as of March 31, 2019	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Residual amount	Repatriation amount						
Shen Hwa Chemical Industries Co., Ltd.	Production and sale of synthetic rubber products	1,270,667 (USD41,220)	(2)a.	-	-	-	-	37,852	65.44 %	24,770	1,833,988	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	712,638 (USD23,100)	(2)c.	118,121 (USD3,832)	-	-	118,121 (USD3,832)	29,009	28.34 %	8,221	462,970	-
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	169,518 (USD5,500)	(2)b.	120,834 (USD3,920)	-	-	120,834 (USD3,920)	15,167	100.00 %	15,167	451,995	-
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	92,473 (USD3,000)	(2)d.	46,238 (USD1,500)	-	-	46,238 (USD1,500)	5,651	50.00 %	2,825	80,411	-
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,233,000 (USD40,000)	(2)a.	30,825 (USD1,000)	-	-	30,825 (USD1,000)	16,686	55.00 %	9,177	818,224	-
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	3,340,478 (USD105,125)	(2)a.	204,925 (USD6,648)	-	-	204,925 (USD6,648)	135,007	100.00 %	135,007	4,587,723	-
ARLANKEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,380,960 (USD44,800)	(2)a.	-	-	-	-	33,446	50.00 %	16,723	240,417	-

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 (Hing 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 NTD30.825).

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 March 31, 2019	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	520,943 (USD16,900)	5,774,601 (USD187,335) (Note 2)	- (Note 1)

Note 1: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the "Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China" amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau, Ministry of Economic Affairs, on August 23, 2018. 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 August 20, 2018 to August 19, 2021.

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 NTD30.825).

(iii) Significant transactions:

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(14) Segment Information

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

	Synthetic rubber	Non-synthetic rubber	Others	Adjustments or eliminations	Total
Three months ended March 31, 2019					
Revenue:					
Revenue from external customers	\$ 7,026,708	534,287	-	-	7,560,995
Income from operations	<u>\$ 245,202</u>	<u>128,010</u>	<u>(18,260)</u>	<u>46,720</u>	<u>401,672</u>
Three months ended March 31, 2018					
Revenue:					
Revenue from external customers	\$ 7,166,182	350,807	-	-	7,516,989
Income from operations	<u>\$ 465,549</u>	<u>32,990</u>	<u>(15,154)</u>	<u>3,906</u>	<u>487,291</u>

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