

**TSRC CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Six Months Ended June 30, 2019 and 2018**

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

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Independent Auditors' Review Report

To the Board of Directors 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 June 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and six months ended June 30, 2019 and 2018, as well as the changes in equity and cash flows for the six 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 \$3,185,518 thousand and \$3,250,602 thousand, constituting 10% and 11% of the consolidated total assets; and the total liabilities amounting to \$533,427 thousand and \$822,197 thousand, constituting 4% and 6% of the consolidated total liabilities as of June 30, 2019 and 2018, respectively; as well as the total comprehensive income (loss) amounting to \$(2,323) thousand, \$(52,180) thousand, \$84,117 thousand and \$57,007 thousand, constituting (1)%, (8)%, 7% and 6% of the consolidated total comprehensive income (loss) for the three months and six months ended June 30, 2019 and 2018, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of the Group in its investee companies of \$1,147,576 thousand and \$1,008,020 thousand at June 30, 2019 and 2018, respectively, and its equity in net earnings on these investee companies of \$84,816 thousand, \$72,294 thousand, \$184,503 thousand and \$102,414 thousand for the three months and six months ended June 30, 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 June 30, 2019 and 2018, and of its consolidated financial performance for the three months and six months ended June 30, 2019 and 2018, as well as its consolidated cash flows for the six 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)
August 8, 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.

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2019, December 31, and June 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

		June 30, 2019		December 31, 2018		June 30, 2018	
		Amount	%	Amount	%	Amount	%
Assets							
Current assets:							
11100	Cash and cash equivalents (note 6(c))	\$ 4,097,529	13	4,527,752	15	4,101,128	14
11110	Financial assets at fair value through profit or loss—current (note 6(b))	4	-	679	-	5,958	-
11150	Notes receivable, net (note 6(d))	699,323	2	558,944	2	879,528	3
11170	Accounts receivable, net (note 6(d))	3,138,313	10	2,873,893	10	3,333,914	11
1200	Other receivable (notes 6(e) and 7)	224,232	1	91,395	-	135,096	-
1220	Current income tax assets	13,566	-	21,636	-	21,962	-
130x	Inventories (note 6(f))	5,752,550	17	6,449,363	21	5,892,302	20
1479	Other current assets	654,921	2	337,496	1	538,420	2
	Total current assets	<u>14,500,438</u>	<u>45</u>	<u>14,861,158</u>	<u>49</u>	<u>14,908,308</u>	<u>50</u>
Non-current assets:							
1518	Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,653,529	5	1,299,806	4	1,215,496	4
1550	Investments accounted for under equity method (notes 6(g) and 7)	1,147,576	4	1,067,378	4	1,008,020	3
1600	Property, plant and equipment (notes 6(h), 8 and 9)	9,511,224	30	8,768,849	29	8,547,054	29
1755	Right-of-use assets (note 6(i))	1,587,893	5	-	-	-	-
1760	Investment property (note 6(j))	1,588,961	5	1,596,324	5	1,603,687	5
1780	Intangible assets (note 6(k))	1,797,131	5	1,851,601	6	1,910,234	6
1840	Deferred income tax assets	246,310	1	244,319	1	258,587	1
1900	Other non-current assets (note 8)	115,478	-	540,734	2	432,813	2
	Total non-current assets	<u>17,648,102</u>	<u>55</u>	<u>15,369,011</u>	<u>51</u>	<u>14,975,891</u>	<u>50</u>
Equity attributable to shareholders of the company (note 6(q)):							
	Common stock	3100					
	Capital surplus	3200					
	Retained earnings:						
	Legal reserve	3310					
	Unappropriated earnings	3350					
	Other equity:						
	Financial statement translation differences for foreign operations	3410					
	Unrealized gain on financial assets measured at fair value through other comprehensive income	3420					
	Gains (losses) on hedging instrument	3450					
	Total equity attributable to shareholders of the company	36xx					
	Non-controlling interests						
	Total equity						
	Total liabilities and equity						
		\$ 32,208,540	100	30,230,169	100	29,884,199	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 and six months ended June 30, 2019 and 2018

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

	For the three months ended June 30				For the six months ended June 30			
	2019		2018		2019		2018	
	Amount	%	Amount	%	Amount	%	Amount	%
4000 Revenue (notes 6(t) and 7)	\$ 7,587,970	100	7,693,782	100	15,148,965	100	15,210,771	100
5000 Operating costs (notes 6(f), 6(h), 6(i), 6(m), 6(n), 6(o), 6(s) and 7)	6,577,786	87	6,720,792	87	13,268,697	88	13,236,547	87
5910 Gross profit	1,010,184	13	972,990	13	1,880,268	12	1,974,224	13
6000 Operating expenses (notes 6(d), 6(h), 6(n), 6(o), 6(s) and 7):								
6100 Selling expenses	262,126	3	250,645	3	508,160	3	495,445	3
6200 General and administrative expenses	278,212	4	277,386	4	547,198	4	525,697	4
6300 Research and development expenses	91,707	1	85,038	1	181,961	1	168,125	1
6450 Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(22)	-	18	-	(993)	-	6,799	-
Total operating expenses	632,023	8	613,087	8	1,236,326	8	1,196,066	8
6500 Other income and expenses, net (notes 6(u) and 7)	38,499	1	63,076	1	90,065	1	114,872	1
6900 Operating profit	416,660	6	422,979	6	734,007	5	893,030	6
Non-operating income and expenses (notes 6(g), 6(n), 6(v) and 7):								
7010 Other income	48,907	1	53,045	1	73,022	1	67,769	-
7020 Other gains and losses	3,732	-	8,712	-	15,787	-	16,691	-
7050 Finance costs	(48,920)	(1)	(40,729)	(1)	(100,452)	(1)	(76,312)	(1)
7370 Share of gain of associates and joint ventures accounted for under equity method	84,816	1	72,294	1	184,503	1	102,414	1
Total non-operating income and expenses	88,535	1	93,322	1	172,860	1	110,562	-
7900 Net income before tax	505,195	7	516,301	7	906,867	6	1,003,592	6
7950 Less: Tax expenses (note 6(p))	138,062	2	109,761	1	235,149	2	322,124	2
Net income	367,133	5	406,540	6	671,718	4	681,468	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	206,496	3	105,795	1	353,075	2	94,131	1
8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-	-	-	-	-
	206,496	3	105,795	1	353,075	2	94,131	1
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss								
8361 Exchange differences on translation of foreign financial statements	(59,655)	(1)	204,885	3	173,269	1	178,634	1
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	(20,076)	-	(41,560)	(1)	(22,066)	-	(17,518)	-
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	(79,731)	(1)	163,325	2	151,203	1	161,116	1
8300 Other comprehensive income	126,765	2	269,120	3	504,278	3	255,247	2
Total comprehensive income	\$ 493,898	7	675,660	9	1,175,996	7	936,715	6
Net income attributable to:								
8610 Shareholders of parent	\$ 333,148	4	391,918	6	617,143	4	628,280	4
8620 Non-controlling interests	33,985	1	14,622	-	54,575	-	53,188	-
	\$ 367,133	5	406,540	6	671,718	4	681,468	4
Total comprehensive income attributable to:								
8710 Shareholders of parent	\$ 480,682	7	677,660	9	1,104,691	7	876,569	6
8720 Non-controlling interests	13,216	-	(2,000)	-	71,305	-	60,146	-
	\$ 493,898	7	675,660	9	1,175,996	7	936,715	6
9710 Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(r))	\$ 0.41		0.47		0.75		0.76	

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

Consolidated Statements of Changes in Equity

For the six months ended June 30, 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	Gains (losses) on hedging instruments
	Common stock	Capital surplus	Legal reserve	Retained earnings	Unappropriated retained earnings	Financial statements translation differences for foreign operations	Income	Total	Total equity attributable to owners of parent	Non-controlling interests		
Balance at January 1, 2018	\$ 8,257,099	41,043	3,770,512	1,691,172	5,461,684	512,008	592,961	11,721	14,877,516	1,565,930		
Appropriation and distribution:												
Legal reserve	-	-	87,410	(87,410)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(792,682)	(792,682)	-	-	-	(792,682)	-	-	(792,682)
Net income	-	-	-	628,280	628,280	-	-	-	628,280	53,188	-	681,468
Other comprehensive income (loss)	-	-	-	-	-	154,989	94,131	(831)	248,289	6,958	-	255,247
Total comprehensive income (loss)	-	-	-	628,280	628,280	154,989	94,131	(831)	876,569	60,146	-	936,715
Balance at June 30, 2018	\$ 8,257,099	41,043	3,857,922	1,409,512	5,267,434	666,997	717,940	10,890	14,961,403	1,626,076	-	16,587,479
Balance at January 1, 2019	\$ 8,257,099	45,158	3,857,922	1,951,564	5,009,486	465,589	801,805	(68,134)	15,311,003	1,570,838	-	16,881,841
Appropriation and distribution:												
Legal reserve	-	-	119,219	(119,219)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(809,195)	(809,195)	-	-	-	(809,195)	-	-	(809,195)
Net income	-	-	-	617,143	617,143	-	-	-	617,143	54,575	-	671,718
Other comprehensive income (loss)	-	-	-	-	-	167,626	353,075	(33,153)	487,548	16,730	-	504,278
Total comprehensive income (loss)	-	-	-	617,143	617,143	167,626	353,075	(33,153)	1,104,691	71,305	-	1,175,996
Balance at June 30, 2019	\$ 8,257,099	45,158	3,977,141	1,640,293	5,617,434	633,215	1,154,880	(101,287)	15,606,499	1,642,143	-	17,248,642

Disposal of investments in equity instruments at fair value through other comprehensive income

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 Cash Flows

For the six months ended June 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	For the six months ended June 30	
	2019	2018
Cash flows from operating activities:		
Consolidated net income before tax	\$ 906,867	1,003,592
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	512,851	437,988
Amortization	77,457	74,965
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(993)	6,799
Interest expense	100,452	76,312
Interest income	(50,394)	(33,558)
Dividend income	(22,628)	(22,628)
Share of profit of associates and joint ventures accounted for under equity method	(184,503)	(102,414)
Loss on disposal of property, plant and equipment	12,398	402
Amortization of long-term prepaid rent	43,486	4,970
Gains from bargain purchase	-	(11,583)
Total adjustments to reconcile profit and loss	488,126	431,253
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	675	(5,958)
Notes receivable	(140,379)	29,939
Accounts receivable	(263,427)	(433,125)
Other receivable	(23,623)	(8,653)
Inventories	716,813	148,378
Other current assets	(328,880)	(157,851)
Total changes in operating assets, net	(38,821)	(427,270)
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	2,883	(216)
Accounts payable	(307,049)	(70,005)
Accounts payable— related parties	40,370	(34,726)
Other payable	(272,563)	(187,169)
Other current liabilities	(49,988)	11,399
Net defined benefit liability	(50,533)	(59,009)
Other operating liabilities	(17,303)	(1,075)
Total changes in operating liabilities, net	(654,183)	(340,801)
Total changes in operating assets and liabilities, net	(693,004)	(768,071)
Total adjustments	(204,878)	(336,818)
Cash provided by operating activities	701,989	666,774
Interest income received	30,540	33,678
Interest paid	(97,476)	(75,433)
Income taxes paid	(129,028)	(179,799)
Net cash provided by operating activities	506,025	445,220
Cash flows from investing activities:		
Acquisition of investments accounted for under equity method	-	(42,184)
Acquisition of property, plant and equipment	(1,268,341)	(427,479)
Proceeds from disposal of property, plant and equipment	282	265
Decrease (increase) in other non-current assets	6,734	(332)
Dividends received	22,628	22,628
Proceeds from capital repayments of investments accounted for under equity method	-	232,109
Net cash used in investing activities	(1,238,697)	(214,993)
Cash flows from financing activities:		
Increase in short-term borrowings	10,827,107	20,092,922
Decrease in short-term borrowings	(10,608,866)	(21,661,948)
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	820,546	1,943,118
Repayments of long-term borrowings	(508,429)	(400,000)
Increase (decrease) in other long-term borrowings	(149,839)	499,006
Decrease in finance lease liabilities	-	(3,282)
Payment of lease liabilities	(111,587)	-
Cash dividends paid	(378)	(495)
Net cash provided by financing activities	268,554	118,844
Effect of exchange rate changes on cash and cash equivalents	33,895	191,617
Net increase (decrease) in cash and cash equivalents	(430,223)	540,688
Cash and cash equivalents at beginning of period	4,527,752	3,560,440
Cash and cash equivalents at end of period	\$ 4,097,529	4,101,128

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

Notes to the Consolidated Financial Statements

For the six months ended June 30, 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 August 8, 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
Notes to the Consolidated Financial Statements

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:

	January 1, 2019
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><u>\$ 1,180,711</u></u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 1,136,433
Finance lease liabilities recognized as at December 31, 2018	<u>35,838</u>
Lease liabilities recognized at January 1, 2019	<u><u>\$ 1,172,271</u></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 June 30, 2019.

(b) The impact of IFRS endorsed by FSC but not yet effective

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2020 in accordance with Ruling No. 1080323028 issued by the FSC on July 29, 2019:

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

The Group assesses that the adoption of the abovementioned standards would not have any material impact on its consolidated financial statements.

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TSRC CORPORATION AND SUBSIDIARIES
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- (c) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the 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 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021

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

(4) Significant Accounting Policies

Except for the following, the significant accounting policies applied in these consolidated financial statements are consistent with those applied in the consolidated financial statements for the year ended December 31, 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

<u>Name of investor</u>	<u>Name of investee</u>	<u>Scope of business</u>	<u>Percentage of ownership</u>			<u>Description</u>
			<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>	
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)

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Name of investor	Name of investee	Scope of business	Percentage of ownership			Description
			June 30, 2019	December 31, 2018	June 30, 2018	
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 %	
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	-	-	-	(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.

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TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

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.

(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.

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TSRC CORPORATION AND SUBSIDIARIES
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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.

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.

(Continued)

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 are best estimated by multiplying pretax income for the interim reporting period by the effective annual tax rate as forecasted by the management. This should be recognized fully as tax expense for the current period (and allocated to current and deferred taxes based on its proportionate size).

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>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Cash on hand	\$ 451	433	443
Checking and savings deposits	1,084,654	1,593,472	1,411,060
Time deposits	3,012,424	2,933,847	2,689,625
Cash and cash equivalents per statements of cash flow	<u>\$ 4,097,529</u>	<u>4,527,752</u>	<u>4,101,128</u>

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward contracts/Swap contracts	<u>\$ 4</u>	<u>679</u>	<u>5,958</u>
Financial liabilities held for trading:			
Derivative instruments not used for hedging			
Forward contracts/Swap contracts	<u>\$ 4,949</u>	<u>2,066</u>	<u>10</u>

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

June 30, 2019			
	Contract amount (thousand)	Currency	Maturity dates
Forward contracts	\$ 600	USD/EUR	2019.7.11~2019.7.16
Forward contracts	465	USD/CNY	2019.7.24~2019.8.8
Swap contracts	14,520	USD/EUR	2019.7.9~2019.7.15
December 31, 2018			
	Contract amount (thousand)	Currency	Maturity dates
Swap contracts	\$ 14,960	USD/EUR	2019.1.4~2019.1.29
June 30, 2018			
	Contract amount (thousand)	Currency	Maturity dates
Forward contracts	\$ 119	EUR/TWD	2018.9.14
Forward contracts	5,300	JPY/TWD	2018.9.18
Swap contracts	13,600	USD/EUR	2018.7.19~2018.9.20

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

	June 30, 2019	December 31, 2018	June 30, 2018
Equity investments at fair value through other comprehensive income:			
Listed stocks (domestic)	\$ 457,046	305,631	239,024
Unlisted stocks (domestic and overseas)	1,196,483	994,175	976,472
Total	<u>\$ 1,653,529</u>	<u>1,299,806</u>	<u>1,215,496</u>

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

The Group held equity instrument investment for long-term strategic purposes, not held for trading purposes, which have been designated as measured at fair value through other comprehensive income.

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

	Foreign currency amount	Exchange rate	TWD
June 30, 2019			
THB	\$ 307,875	1.0165	312,955
December 31, 2018			
THB	367,531	0.9532	350,331
June 30, 2018			
THB	382,382	0.9237	353,206

(d) Notes and accounts receivable

	June 30, 2019	December 31, 2018	June 30, 2018
Notes receivable	\$ 699,323	558,944	879,528
Accounts receivable	3,147,697	2,884,202	3,341,055
Less: loss allowance	9,384	10,309	7,141
	<u>\$ 3,837,636</u>	<u>3,432,837</u>	<u>4,213,442</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:

	June 30, 2019	
	Weighted- average	
Gross carrying amount	expected credit loss rate	Loss allowance provision
Current	\$ 3,789,498	0.13%~0.35% 4,761
1 to 30 days past due	47,977	1.03%~10.25% 2,154
31 to 90 days past due	7,944	8.25%~60.35% 868
More than 90 days past	1,601	100% 1,601
	<u>\$ 3,847,020</u>	<u>9,384</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>

	June 30, 2018		
	Gross carrying amount	Weighted-average expected credit loss rate	Loss allowance provision
Current	\$ 4,103,484	0.02%~0.33%	950
1 to 30 days past due	106,841	0.45%~16.31%	4,053
31 to 90 days past due	9,977	5.98%~32.62%	1,857
More than 90 days past	281	100%	281
	<u>\$ 4,220,583</u>		<u>7,141</u>

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

	For the six months ended June 30	
	2019	2018
Balance on January 1, 2019 and 2018	\$ 10,309	279
Impairment losses recognized (reversed)	(993)	6,799
Foreign exchange gain (loss)	68	63
Balance on June 30, 2019 and 2018	<u>\$ 9,384</u>	<u>7,141</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)

	June 30, 2019	December 31, 2018	June 30, 2018
Other receivables—related parties	\$ 54,366	42,427	43,251
Other	169,866	48,968	91,845
	<u>\$ 224,232</u>	<u>91,395</u>	<u>135,096</u>

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TSRC CORPORATION AND SUBSIDIARIES
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As of June 30, 2019, December 31 and June 30, 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:

	June 30, 2019	December 31, 2018	June 30, 2018
Raw materials	\$ 1,379,969	1,713,308	1,356,168
Supplies	108,329	102,599	97,613
Work in progress	298,989	370,562	333,180
Finished goods	3,351,847	3,576,007	3,478,490
Merchandise	593,416	686,887	626,851
Total	<u>\$ 5,732,550</u>	<u>6,449,363</u>	<u>5,892,302</u>

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

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Loss on (reversal of) decline in market value of inventory	\$ 3,733	(33,260)	(5,316)	(15,110)
Income from sale of scrap	(11,849)	(13,709)	(24,152)	(27,408)
Unallocated production overhead	7,337	1,920	21,392	1,920
Total	<u>\$ (779)</u>	<u>(45,049)</u>	<u>(8,076)</u>	<u>(40,598)</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:

	June 30, 2019	December 31, 2018	June 30, 2018
Associates	\$ 634,501	628,467	621,078
Joint ventures	513,075	438,911	386,942
	<u>\$ 1,147,576</u>	<u>1,067,378</u>	<u>1,008,020</u>

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TSRC CORPORATION AND SUBSIDIARIES
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(i) Associates

For the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018, the Group recognized its share of gain from the associates of \$39,241 thousand, \$30,874 thousand, \$72,597 thousand and \$60,236 thousand, respectively.

The details of the significant associates are as follows:

Name of associates	Existing relationship with the Group	The main operating place / register country	Proportion of equity and voting right		
			June 30, 2019	December 31, 2018	June 30, 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)	50.00 % (Note 1)
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 \$11,583 thousand. After the acquisition transaction, the Group owns 50% of Indian Synthetic Rubber Private Limited, which has been reclassified from associate to joint venture, but still listed as investments accounted for under equity method.

	For the three months ended June 30, 2018 (Note 2)	For the six months ended June 30, 2018
Revenue	\$ -	1,324,113
Net income of continued operations	\$ -	36,141
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	\$ -	36,141
Total comprehensive income attributable to the Group	\$ -	12,303

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

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TSRC CORPORATION AND SUBSIDIARIES
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	For the six months ended June 30, 2018
Beginning equity of the associate attributable to the Group	\$ 205,093
Current total comprehensive income of the associate attributable to the Group	12,303
Other	(4,109)
Associate reclassified to joint venture	(213,287)
Ending balance of the equity of the associate attributable to the Group	<u>\$ -</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 457,591	716,347	1,030,198
Non-current assets	833,235	822,219	896,547
Current liabilities	(755,097)	(1,094,043)	(1,504,125)
Non-current liabilities	(35,465)	(13,709)	(20,921)
Equity	<u>\$ 500,264</u>	<u>430,814</u>	<u>401,699</u>
Equity attributable to the Group	<u>\$ 250,132</u>	<u>215,407</u>	<u>200,849</u>

	For the three months ended June 30	For the six months ended June 30		
	2019	2018	2019	2018
Revenue	<u>\$ 471,443</u>	<u>527,393</u>	<u>977,906</u>	<u>962,804</u>
Net income of continued operations	\$ 31,818	21,908	65,264	38,937
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<u>\$ 31,818</u>	<u>21,908</u>	<u>65,264</u>	<u>38,937</u>
Total comprehensive income attributable to the Group	<u>\$ 15,909</u>	<u>10,955</u>	<u>32,632</u>	<u>19,469</u>

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TSRC CORPORATION AND SUBSIDIARIES
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	For the six months ended June 30	
	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	32,632	19,469
Other	(376)	2,913
Ending balance of the equity of the associate attributable to the Group	<u>\$ 252,091</u>	<u>203,729</u>

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

	June 30, 2019	December 31, 2018	June 30, 2018
Balance of not significant associate's equity	<u>\$ 382,410</u>	<u>408,632</u>	<u>417,349</u>

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Attributable to the Group:				
Income from continued operation	\$ 23,332	19,919	39,965	28,464
Other comprehensive income	-	-	-	-
Total comprehensive income	<u>\$ 23,332</u>	<u>19,919</u>	<u>39,965</u>	<u>28,464</u>

(ii) Joint ventures

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

	June 30, 2019	December 31, 2018	June 30, 2018
Current assets	\$ 2,316,465	2,663,769	2,222,537
Non-current assets	3,797,430	3,484,344	3,639,312
Current liabilities	(2,521,080)	(2,424,997)	(2,326,667)
Non-current liabilities	(2,601,164)	(2,910,295)	(2,852,573)
Equity	<u>\$ 991,651</u>	<u>812,821</u>	<u>682,609</u>
Equity attributable to the Group	<u>\$ 495,825</u>	<u>406,411</u>	<u>341,304</u>

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TSRC CORPORATION AND SUBSIDIARIES
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	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Revenue	<u>\$ 1,246,065</u>	<u>980,038</u>	<u>2,467,649</u>	<u>980,038</u>
Net income of continued operations	\$ 87,990	117,981	215,001	117,981
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<u>\$ 87,990</u>	<u>117,981</u>	<u>215,001</u>	<u>117,981</u>
Total comprehensive income attributable to the Group	<u>\$ 43,995</u>	<u>41,175</u>	<u>107,501</u>	<u>41,175</u>

	For the six months ended June 30	
	2019	2018
Beginning equity of the joint venture attributable to the Group	\$ 363,141	-
Joint venture reclassified from associate	-	213,287
Current total comprehensive income of the joint venture attributable to the Group	107,501	41,175
Other	(23,833)	44,895
Ending balance of the equity of the joint venture attributable to the Group	<u>\$ 446,809</u>	<u>299,357</u>

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

	December 31,		
	June 30, 2019	2018	June 30, 2018
Balance of not significant joint venture's equity	<u>\$ 66,266</u>	<u>75,770</u>	<u>87,585</u>

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Attributable to the Group:				
Income from continued operation	\$ 1,580	245	4,405	1,003
Other comprehensive income (loss)	-	-	-	-
Total comprehensive income (loss)	<u>\$ 1,580</u>	<u>245</u>	<u>4,405</u>	<u>1,003</u>

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TSRC CORPORATION AND SUBSIDIARIES
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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.

(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	-	-	-	7,397	198	-	1,220,320	1,227,915
Disposals	-	-	-	(47,945)	(4,823)	-	-	(52,768)
Reclassification	-	1,275	4,042	169,693	8,155	(94,596)	(190,540)	(101,971)
Effect of changes in exchange rates	-	256	28,359	117,055	1,487	-	10,709	157,866
Balance at June 30, 2019	\$ 614,101	108,530	4,030,565	20,528,327	233,290	-	2,251,348	27,766,161
Balance at January 1, 2018	\$ 614,101	106,131	4,048,091	19,944,375	217,074	94,596	566,082	25,590,450
Additions	-	-	-	2,892	188	-	383,754	386,834
Disposals	-	-	-	(10,974)	(135)	-	-	(11,109)
Reclassification	-	199	6,698	173,648	6,935	-	(192,160)	(4,680)
Effect of changes in exchange rates	-	493	15,233	118,069	1,443	-	1,612	136,850
Balance at June 30, 2018	\$ 614,101	106,823	4,070,022	20,228,010	225,505	94,596	759,288	26,098,345
Depreciation and impairment loss:								
Balance at January 1, 2019	\$ -	88,237	2,236,682	15,270,710	170,641	-	-	17,766,270
Depreciation	-	1,253	65,373	365,170	6,568	-	-	438,364
Disposal	-	-	-	(35,747)	(4,341)	-	-	(40,088)
Effect of changes in exchange rates	-	252	12,340	76,631	1,168	-	-	90,391
Balance at June 30, 2019	\$ -	89,742	2,314,395	15,676,764	174,036	-	-	18,254,937
Balance at January 1, 2018	\$ -	85,133	2,134,269	14,652,082	160,257	-	-	17,031,741
Depreciation	-	1,231	66,679	356,627	6,088	-	-	430,625
Disposal	-	-	-	(10,347)	(95)	-	-	(10,442)
Effect of changes in exchange rates	-	486	6,997	90,606	1,278	-	-	99,367
Balance at June 30, 2018	\$ -	86,850	2,207,945	15,088,968	167,528	-	-	17,551,291
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
June 30, 2019	\$ 614,101	18,788	1,716,170	4,851,563	59,254	-	2,251,348	9,511,224
January 1, 2018	\$ 614,101	20,998	1,913,822	5,292,293	56,817	94,596	566,082	8,558,709
June 30, 2018	\$ 614,101	19,973	1,862,077	5,139,042	57,977	94,596	759,288	8,547,054

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

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(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
Additions	187	8,373	-	10,975	19,535
Lease modification	-	(1,000)	(513)	(124)	(1,637)
Amortization to operating costs and inventories	-	(17,704)	(25,782)	-	(43,486)
Effect of changes in foreign exchange rates	6,413	4,773	5,460	292	16,938
Balance at June 30, 2019	<u>\$ 688,488</u>	<u>502,454</u>	<u>544,654</u>	<u>40,972</u>	<u>1,776,568</u>
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	7,293	47,963	7,486	4,382	67,124
Effect of changes in exchange rates	1,282	(60)	23	4	1,249
Balance at June 30, 2019	<u>\$ 128,877</u>	<u>47,903</u>	<u>7,509</u>	<u>4,386</u>	<u>188,675</u>
Carrying value:					
June 30, 2019	<u>\$ 559,611</u>	<u>454,551</u>	<u>537,145</u>	<u>36,586</u>	<u>1,587,893</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, June 30 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>
June 30, 2019	\$ <u>1,588,961</u>
January 1, 2018	\$ <u>1,611,050</u>
June 30, 2018	\$ <u>1,603,687</u>

There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's investment properties for the six months ended June 30, 2019 and 2018. The related information is provided in note 6(k) to the consolidated financial statements for the year ended December 31, 2018.

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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
June 30, 2019	\$ 543,397	18,974	213,429	417,090	604,241	1,797,131
January 1, 2018	\$ 596,151	35,658	205,021	435,806	669,714	1,942,350
June 30, 2018	\$ 583,603	29,829	209,499	433,355	653,948	1,910,234

There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's intangible assets for the six months ended June 30, 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(l) to the consolidated financial statements for the year ended December 31, 2018.

(l) Short-term and long-term borrowings

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

(i) Short-term borrowings

June 30, 2019			
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.32~5.22	2019~2020	\$ 4,356,888
December 31, 2018			
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.55~5.66	2019	\$ 4,147,772
June 30, 2018			
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.40~5.568	2018~2019	\$ 4,898,251

As of June 30, 2019, December 31 and June 30, 2018, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to \$18,018,053 thousand, \$15,664,492 thousand and \$15,153,618 thousand, respectively.

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Notes to the Consolidated Financial Statements

(ii) Long-term borrowings

1) Long-term bank borrowings

June 30, 2019		
Range of interest rates (%)	Year of maturity	Amount
Secured loans	3.82~4.38	2020~2023 \$ 671,012
Unsecured loans	1.12~5.08	2019~2023 4,187,256
Total		<u>\$ 4,858,268</u>
Current		\$ 535,907
Non-current		4,322,361
Total		<u>\$ 4,858,268</u>

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>

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

For the six months ended June 30, 2019 and 2018, the Group repaid the amounts of \$508,429 thousand and \$400,000 thousand, respectively, for its long-term borrowings, wherein the proceeds amounting to \$820,546 thousand and \$1,943,118 thousand had the interest rates of 1.28% to 5.08% and 1.05% to 3.56%, 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.

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

	June 30, 2019	December 31, 2018	June 30, 2018
Long-term commercial paper payable	\$ 350,000	500,000	500,000
Less: discount on long-term commercial paper payable	146	307	411
Total	\$ <u>349,854</u>	<u>499,693</u>	<u>499,589</u>

The Group entered into a loan agreement concerning the issuance of commercial paper with a financial institution in February 2018. Based on the contract, the Group is allowed to issue the commercial paper circularly, with a guarantee from the bank, for 30 days to one year within a period of five years. The credit facility amounted to \$500,000 thousand, with the renewal amount that should not be less than 70%. The interest rate of the Group's long-term commercial paper payable as of June 30, 2019, December 31 and June 30, 2018 was 1.2670%, 1.2457% and 1.2513%, respectively.

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	13,546
Provisions recognized	(33)
Reversal of unused provisions	(8,396)
Effect of changes in exchange rates	252
Balance at June 30, 2019	\$ <u>32,497</u>
Balance at January 1, 2018	\$ 28,324
Increase in provisions	18,009
Provisions recognized	(1,492)
Reversal of unused provisions	(13,166)
Effect of changes in exchange rates	156
Balance at June 30, 2018	\$ <u>31,831</u>

(Continued)

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Notes to the Consolidated Financial Statements

(n) Lease liabilities

The Group's lease liabilities were as follow:

	June 30, 2019		
	Future minimum lease payments	Interest	Present value of minimum lease payments
Less than one year	\$ 233,006	9,901	223,105
Between one and five years	686,756	20,935	665,821
More than five years	215,802	9,875	205,927
	<u>\$ 1,135,564</u>	<u>40,711</u>	<u>1,094,853</u>
Current	<u>\$ 233,006</u>	<u>9,901</u>	<u>223,105</u>
Non-current	<u>\$ 902,558</u>	<u>30,810</u>	<u>871,748</u>

There were no significant issues, repurchases and repayments of lease liabilities for the six month ended June 30, 2019.

The amounts recognized in profit or loss were as follows:

	For the three months ended June 30, 2019	For the six months ended June 30, 2019
Interest on lease liabilities	\$ <u>2,808</u>	<u>5,603</u>
Expenses relating to short-term leases	\$ <u>764</u>	<u>1,537</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>4,163</u>	<u>8,398</u>

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

	For the three months ended June 30, 2019
Total cash outflow for leases	\$ <u>127,125</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:

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Notes to the Consolidated Financial Statements

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Operating costs	\$ 1,149	1,387	2,302	2,757
Operating expenses	740	881	1,475	1,780
	<u>\$ 1,889</u>	<u>2,268</u>	<u>3,777</u>	<u>4,537</u>

(ii) Defined contribution plans

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

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Operating costs	\$ 19,330	18,230	43,070	35,537
Operating expenses	9,721	9,039	21,740	18,182
	<u>\$ 29,051</u>	<u>27,269</u>	<u>64,810</u>	<u>53,719</u>

(p) Income tax

The components of income tax expense were as follows:

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Current income tax expense				
Current period	\$ 90,813	161,490	146,176	383,042
Adjustment for prior periods	(21)	9,161	(21)	9,161
Deferred tax expense				
Origination and reversal of temporary differences	47,270	(60,890)	88,994	(70,079)
Income tax expenses on continuing operations	<u>\$ 138,062</u>	<u>109,761</u>	<u>235,149</u>	<u>322,124</u>

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

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Notes to the Consolidated Financial Statements

(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 six months ended June 30, 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.

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

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

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

The appropriations of 2018 and 2017 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 6, 2019, and June 21, 2018, respectively, were 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>809,195</u>	0.96	<u>792,682</u>

(Continued)

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(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	156,539	-	-	156,539
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	11,087	-	-	11,087
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	353,075	-	353,075
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	(33,153)	(33,153)
Balance as of June 30, 2019	<u>\$ 633,215</u>	<u>1,154,880</u>	<u>(101,287)</u>	<u>1,686,808</u>

	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	171,676	-	-	-	171,676
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(16,687)	-	-	-	(16,687)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	123,979	-	-	123,979
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	-	(831)	(831)
Balance as of June 30, 2018	<u>\$ 666,997</u>	<u>717,940</u>	<u>-</u>	<u>10,890</u>	<u>1,395,827</u>

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(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 June 30		For the six months ended June 30	
	2019	2018	2019	2018
Net income attributable to common shareholders of the Company	\$ <u>333,148</u>	<u>391,918</u>	<u>617,143</u>	<u>628,280</u>
Weighted-average number of common shares	<u>825,710</u>	<u>825,710</u>	<u>825,710</u>	<u>825,710</u>
Basic earnings per share (in NT dollars)	\$ <u>0.41</u>	<u>0.47</u>	<u>0.75</u>	<u>0.76</u>

(ii) Diluted earnings per share

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Net income attributable to common shareholders of the Company (diluted)	\$ <u>333,148</u>	<u>391,918</u>	<u>617,143</u>	<u>628,280</u>
Weighted-average number of common shares (basic)	825,710	825,710	825,710	825,710
Impact of potential common shares				
Effect of employees' bonuses	<u>801</u>	<u>533</u>	<u>1,730</u>	<u>847</u>
Weighted-average number of shares outstanding (diluted)	<u>826,511</u>	<u>825,941</u>	<u>827,440</u>	<u>826,557</u>
Diluted earnings per share (in NT dollars)	\$ <u>0.41</u>	<u>0.47</u>	<u>0.75</u>	<u>0.76</u>

(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.

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For the three months and six months ended June 30, 2019 and 2018, the estimated amounts of employees' bonuses were \$11,100 thousand, \$4,231 thousand, \$22,200 thousand and \$7,587 thousand, respectively, and the estimated amounts of directors' remuneration were \$3,701 thousand, \$4,107 thousand, \$6,558 thousand and \$6,977 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 June 30, 2019		
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	\$ 4,887,423	515,921	5,403,344
America	1,049,497	3,318	1,052,815
Europe	866,392	-	866,392
Others	265,419	-	265,419
	<u>\$ 7,068,731</u>	<u>519,239</u>	<u>7,587,970</u>
Major product lines:			
Synthetic rubber / elastomers	6,952,841	-	6,952,841
Applied materials	-	519,071	519,071
Others	115,890	168	116,058
	<u>\$ 7,068,731</u>	<u>519,239</u>	<u>7,587,970</u>

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For the three months ended June 30, 2018			
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	\$ 5,031,956	366,041	5,397,997
America	1,147,728	3,239	1,150,967
Europe	919,284	-	919,284
Others	225,482	52	225,534
	<u>\$ 7,324,450</u>	<u>369,332</u>	<u>7,693,782</u>
Major product lines:			
Synthetic rubber / elastomers	7,195,221	-	7,195,221
Applied materials	-	368,645	368,645
Others	129,229	687	129,916
	<u>\$ 7,324,450</u>	<u>369,332</u>	<u>7,693,782</u>
For the six months ended June 30, 2019			
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	\$ 9,552,421	1,045,736	10,598,157
America	2,287,104	7,790	2,294,894
Europe	1,735,146	-	1,735,146
Others	520,768	-	520,768
	<u>\$ 14,095,439</u>	<u>1,053,526</u>	<u>15,148,965</u>
Major product lines:			
Synthetic rubber / elastomers	13,923,845	-	13,923,845
Applied materials	-	1,053,260	1,053,260
Others	171,594	266	171,860
	<u>\$ 14,095,439</u>	<u>1,053,526</u>	<u>15,148,965</u>

(Continued)

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

(u) Other income and expenses

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Rental income	\$ 5,099	20,548	26,051	37,553
Royalty income	24,228	28,475	49,161	53,184
Net service income	1,378	4,728	4,522	10,948
Depreciation of investment properties	(3,681)	(3,681)	(7,363)	(7,363)
Net other income	11,475	13,006	17,694	20,550
Other income and expenses	<u>\$ 38,499</u>	<u>63,076</u>	<u>90,065</u>	<u>114,872</u>

(v) Non-operating income and expenses

(i) Other gains

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Interest income	\$ 26,279	18,834	50,394	33,558
Dividend income	22,628	22,628	22,628	22,628
Gains from bargain purchase	-	11,583	-	11,583
Other gains	<u>\$ 48,907</u>	<u>53,045</u>	<u>73,022</u>	<u>67,769</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(ii) Other gains and losses

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Loss on disposal of property, plant and equipment, net	\$ (12,148)	(189)	(12,398)	(402)
Foreign exchange gain, net	15,783	1,872	13,197	11,604
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	(2,791)	5,978	11,306	5,466
Other income (loss)	2,888	1,051	3,682	23
Other gains and losses, net	<u>\$ 3,732</u>	<u>8,712</u>	<u>15,787</u>	<u>16,691</u>

(iii) Finance costs

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Interest expense	<u>\$ 48,920</u>	<u>40,729</u>	<u>100,452</u>	<u>76,312</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
June 30, 2019						
Non-derivative financial liabilities						
Short-term debts	\$ 4,533,042	3,974,938	558,104	-	-	-
Accounts payable (including related parties)	1,247,843	1,247,843	-	-	-	-
Dividend payable	818,800	818,800	-	-	-	-
Other payables	766,505	766,505	-	-	-	-
Long-term debts (including other long-term borrowings and current portion)	5,384,522	320,120	712,535	1,105,698	3,246,169	-
Lease liabilities	1,135,564	116,503	116,503	189,211	497,545	215,802
Deposits received	31,737	-	-	31,737	-	-
Provision for guarantee liabilities — non-current	2,281,594	600,581	203,540	442,776	1,034,697	-
Derivative financial liabilities						
Other swap contracts/other forward contracts:						
Outflow	4,949	4,949	-	-	-	-
	<u>\$ 16,204,556</u>	<u>7,850,239</u>	<u>1,590,682</u>	<u>1,769,422</u>	<u>4,778,411</u>	<u>215,802</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	<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>
June 30, 2018						
Non-derivative financial liabilities						
Short-term debts	\$ 4,925,350	4,801,536	123,814	-	-	-
Accounts payable (including related parties)	1,724,024	1,724,024	-	-	-	-
Dividend payable	804,841	804,841	-	-	-	-
Other payables	712,970	712,970	-	-	-	-
Long-term debts (including current portion)	3,783,340	426,828	426,349	993,536	1,936,627	-
Deposits received	41,200	-	-	41,200	-	-
Provision for guarantee liabilities — non-current	2,202,403	-	752,128	-	1,450,275	-
Derivative financial liabilities						
Other forward contracts:						
Outflow	10	10	-	-	-	-
	<u>\$ 14,194,138</u>	<u>8,470,209</u>	<u>1,302,291</u>	<u>1,034,736</u>	<u>3,386,902</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>
June 30, 2019			
Financial assets:			
Monetary assets:			
USD	\$ 61,966	31.0720	1,925,408
EUR	\$ 15,381	35.3817	544,195
JPY	\$ 131,853	0.2886	38,053
CNY	\$ 15,367	4.5231	69,506
Financial liabilities:			
Monetary liabilities:			
USD	\$ 59,726	31.0720	1,855,806
EUR	\$ 14,046	35.3817	496,971
JPY	\$ 123,926	0.2886	35,765
December 31, 2018			
Financial assets:			
Monetary assets:			
USD	\$ 56,469	30.7330	1,735,462
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	\$ 57,225	30.7330	1,758,696
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>
June 30, 2018			
Financial assets:			
Monetary assets:			
USD	\$ 90,021	30.5000	2,745,641
EUR	\$ 16,164	35.4502	573,017
JPY	\$ 215,488	0.2757	59,410
CNY	\$ 11,880	4.6006	54,655
Financial liabilities:			
Monetary liabilities:			
USD	\$ 87,487	30.5000	2,668,354
EUR	\$ 14,611	35.4502	517,963
JPY	\$ 176,025	0.2757	48,530

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the USD, EUR, CNY and JPY had appreciated/depreciated by 1% the Group's net income before tax would have increase/decreased by \$1,886 thousand and \$1,979 thousand for the six months ended June 30, 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 six months ended June 30, 2019 and 2018, foreign exchange gain (including realized and unrealized) amounting to \$24,503 thousand and \$17,070 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 \$47,825 thousand and \$42,777 thousand for the six months ended June 30, 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.

	June 30, 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	\$ 4	-	4	-	4
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	457,046	457,046	-	-	457,046
Unlisted stocks (domestic and overseas)	1,196,483	-	-	1,196,483	1,196,483
Subtotal	<u>1,653,529</u>	<u>457,046</u>	<u>-</u>	<u>1,196,483</u>	<u>1,653,529</u>
Financial assets measured at amortized cost					
Cash and cash equivalents	4,097,529	-	-	-	-
Accounts and notes receivables	3,837,636	-	-	-	-
Other receivables	224,232	-	-	-	-
Refundable deposit	<u>55,551</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>8,214,948</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,868,481</u>	<u>457,046</u>	<u>4</u>	<u>1,196,483</u>	<u>1,653,533</u>

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount	June 30, 2019			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 4,949	-	4,949	-	4,949
Financial liabilities measured at amortized cost					
Short-term borrowings	4,356,888	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	5,208,122	-	-	-	-
Accounts payable	1,247,843	-	-	-	-
Dividend payable	818,800	-	-	-	-
Other payables	766,505	-	-	-	-
Lease liabilities	1,094,853	-	-	-	-
Deposits received	31,737	-	-	-	-
Subtotal	13,524,748	-	-	-	-
Total	<u>\$13,529,697</u>	<u>-</u>	<u>4,949</u>	<u>-</u>	<u>4,949</u>
	Carrying amount	December 31, 2018			
		Fair value			Total
		Level 1	Level 2	Level 3	
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	<u>1,299,806</u>	<u>305,631</u>	<u>-</u>	<u>994,175</u>	<u>1,299,806</u>
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	<u>8,116,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 9,416,810</u>	<u>305,631</u>	<u>679</u>	<u>994,175</u>	<u>1,300,485</u>

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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	-	-	-	-
Accounts payable	1,514,522	-	-	-	-
Other payables	997,500	-	-	-	-
Deposits received	49,266	-	-	-	-
Subtotal	11,777,078	-	-	-	-
Total	<u>\$11,779,144</u>	<u>-</u>	<u>2,066</u>	<u>-</u>	<u>2,066</u>
June 30, 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	\$ 5,958	-	5,958	-	5,958
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	239,024	239,024	-	-	239,024
Unlisted stocks (domestic and overseas)	976,472	-	-	976,472	976,472
Subtotal	1,215,496	239,024	-	976,472	1,215,496
Financial assets measured at amortized cost					
Cash and cash equivalents	4,101,128	-	-	-	-
Accounts and notes receivables	4,213,442	-	-	-	-
Other receivables	135,096	-	-	-	-
Refundable deposit	19,487	-	-	-	-
Subtotal	8,469,153	-	-	-	-
Total	<u>\$ 9,690,607</u>	<u>239,024</u>	<u>5,958</u>	<u>976,472</u>	<u>1,221,454</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Carrying amount	June 30, 2018			
		Fair value			Total
		Level 1	Level 2	Level 3	
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 10	-	10	-	10
Financial liabilities measured at amortized cost					
Short-term borrowings	4,898,251	-	-	-	-
Long-term borrowings (including other long-term borrowings and current portion)	3,657,089	-	-	-	-
Accounts payable	1,724,024	-	-	-	-
Dividend payable	804,841	-	-	-	-
Other payables	712,970	-	-	-	-
Deposits received	41,200	-	-	-	-
Subtotal	<u>11,838,375</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$11,838,385</u>	<u>-</u>	<u>10</u>	<u>-</u>	<u>10</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	<u>202,308</u>
Balance at June 30, 2019	<u>\$ 1,196,483</u>
Balance at January 1, 2018	\$ 885,097
Total losses recognized:	
In other comprehensive income	<u>91,375</u>
Balance at June 30, 2018	<u>\$ 976,472</u>

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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	<ul style="list-style-type: none"> Multipliers of price-to-earnings ratios as of June 30, 2019, December 31, 2018 and June 30, 2018 were 10.92~24.47, 13.20~17.32 and 13.31~16.36, respectively Market illiquidity discount rate as of June 30, 2019, December 31, 2018 and June 30, 2018 was all 20% 	<ul style="list-style-type: none"> The estimated fair value would increase (decrease) if 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
June 30, 2019					
Financial assets fair value through other comprehensive income					
Equity investments without an active market	Liquidity discount at 20%	1%	\$	14,953	(14,953)
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)
June 30, 2018					
Financial assets fair value through other comprehensive income					
Equity investments without an active market	Liquidity discount at 20%	1%	\$	12,211	(12,211)

(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 six months ended June 30, 2019 and 2018.

(aa) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the six months ended June 30, 2019 and 2018 were as follows:

			Non-cash changes			
	January 1, 2019	Cash flows	Foreign exchange movement	Amortization of commercial paper discount	Others	June 30, 2019
Long-term borrowings (including current portion)	\$ 4,568,325	312,117	(22,174)	-	-	4,858,268
Other long-term borrowings	499,693	(149,893)	-	54	-	349,854
Short-term borrowings	4,147,772	218,241	(9,125)	-	-	4,356,888
Lease liabilities	1,172,271	(111,587)	9,031	5,603	19,535	1,094,853
Total liabilities from financing activities	<u>\$ 10,388,061</u>	<u>268,878</u>	<u>(22,268)</u>	<u>5,657</u>	<u>19,535</u>	<u>10,659,863</u>

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

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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:

	<u>For the three months ended June 30</u>		<u>For the six months ended June 30</u>	
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Associates	\$ <u>(7)</u>	<u>-</u>	<u>16,980</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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(ii) Purchases

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

	For the three months ended June 30		For the six months ended June 30	
	2019	2018	2019	2018
Others	\$ 79,497	22,356	230,928	207,702

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 June 30		For the six months ended June 30	
	2019	2018	2019	2018
Associates				
Indian Synthetic Rubber Private Limited	\$ -	-	-	15,197
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	39,126	46,322	76,277	86,917
Joint ventures				
Indian Synthetic Rubber Private Limited	14,870	16,113	28,879	16,113
Others	752	759	1,868	2,346
Other related parties				
Others	(889)	(731)	(1,717)	(1,416)
	\$ 53,859	62,463	105,307	119,157

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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>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Other receivable	Associates			
	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 18,461	21,365	26,175
Other receivable	Joint ventures			
	Indian Synthetic Rubber Private Limited	35,656	20,820	16,830
	Others	249	242	246
		<u>\$ 54,366</u>	<u>42,427</u>	<u>43,251</u>

(v) Payable to related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Accounts payable	Other related parties	\$ 40,370	-	937
Other payable	Other related parties	880	908	719
		<u>\$ 41,250</u>	<u>908</u>	<u>1,656</u>

(vi) Guarantees

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

	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Associates			
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 804,121	1,530,733	752,128
Joint ventures			
Indian Synthetic Rubber Private Limited	1,477,473	1,461,354	1,450,275
	<u>\$ 2,281,594</u>	<u>2,992,087</u>	<u>2,202,403</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>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Associates			
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 1,958	4,428	2,880
Joint ventures			
Indian Synthetic Rubber Private Limited	19,299	24,761	25,999
	<u>\$ 21,257</u>	<u>29,189</u>	<u>28,879</u>

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<u>For the three months ended June 30</u>	<u>For the six months ended June 30</u>		
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Short-term employee benefits	\$ 22,406	26,907	50,199	54,939
Post-employment benefits	406	325	768	622
	<u>\$ 22,812</u>	<u>27,232</u>	<u>50,967</u>	<u>55,561</u>

(8) Pledged Assets

The carrying values of pledged assets were as follows:

<u>Pledged assets</u>	<u>Object</u>	<u>June 30, 2019</u>	<u>December 31, 2018</u>	<u>June 30, 2018</u>
Machinery etc. (recorded property, plant and equipment)	Guarantee for long- term borrowings	\$ <u>354,850</u>	<u>361,731</u>	<u>-</u>

(9) Commitments and Contingencies

- (a) As of June 30, 2019, December 31 and June 30, 2018, the Group's unused letters of credit outstanding for purchases of materials were \$848,796 thousand, \$2,050,872 thousand and \$1,276,165 thousand, respectively.
- (b) As of June 30, 2019, December 31 and June 30, 2018, the Group's signed construction and design contracts with several factories totaled \$2,224,225 thousand, \$1,717,411 thousand and \$1,155,920 thousand, respectively, of which \$1,393,112 thousand, \$466,392 thousand and \$246,874 thousand, respectively, were paid.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(10) Losses Due to Major Disasters: None.

(11) Subsequent Events: None.

(12) Others

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

By function By nature	Three months ended June 30, 2019			Three months ended June 30, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	259,898	172,819	432,717	239,162	159,520	398,682
Labor and health insurance	22,024	14,313	36,337	21,012	13,884	34,896
Pension	20,479	10,461	30,940	19,617	9,920	29,537
Others (note 1)	40,042	20,584	60,626	34,375	14,055	48,430
Depreciation (note 2)	210,574	45,228	255,802	186,236	28,583	214,819
Amortization	1,597	37,242	38,839	560	37,331	37,891

By function By nature	Six months ended June 30, 2019			Six months ended June 30, 2018		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	511,947	340,428	852,375	470,604	311,637	782,241
Labor and health insurance	45,126	30,268	75,394	41,729	28,441	70,170
Pension	45,372	23,215	68,587	38,294	19,962	58,256
Others (note 1)	78,705	39,612	118,317	65,441	30,038	95,479
Depreciation (note 2)	419,683	85,805	505,488	372,906	57,719	430,625
Amortization	3,146	74,311	77,457	2,954	72,011	74,965

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

Note 2: Depreciation expenses for investment property recognized under other income and expenses amounting to \$3,681 thousand, \$3,681 thousand, \$7,363 thousand and \$7,363 thousand for the three months ended June 30, 2019 and 2018 and the six months ended June 30, 2019 and 2018 were excluded.

- (b) Seasonality or cyclicity of interim operations

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other Disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:

Unit: thousand NTD

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers (Note 5)	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral	Financing limit for each borrowing company	Maximum financing limit for the lender
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	151,879	149,262	149,262	3.915%	2	-	Operating capital	-	-	213,302 (Note 1)	426,603 (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	Endorsement/ guarantees to third parties on behalf of company in Mainland China
0	TSRC	TSRC (USA) Investment Corporation	4 (Note 2)	474,180	466,080	357,328	-	2.99 %	(Note 3)	Y		
0	TSRC	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6 (Note 2)	1,557,702	804,121	409,602	-	5.15 %	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Private Limited	6 (Note 2)	1,503,151	1,477,473	1,477,473	-	9.47 %	(Note 3)			
0	TSRC	TSRC (Vietnam) Co., Ltd.	4 (Note 2)	410,956	403,936	31,072	-	2.59 %	(Note 3)	Y		
0	TSRC	Devco Polymers L.P.	4 (Note 2)	316,120	310,720	282,612	-	1.99 %	(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 \$7,803,250 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$23,409,749 thousand.

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

(iii) Securities held as of June 30, 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	Market value	
TSRC	Taiwan High Speed Rail Corporation	-	Financial assets at fair value through other comprehensive income – non-current	10,001,000	457,046	0.18 %	457,046	
TSRC	Evergreen Steel Corporation	-	Financial assets at fair value through other comprehensive income – non-current	12,148,000	577,880	3.00 %	577,880	

(Continued)

TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	599,999	130,620	5.42 %	130,620	
TSRC	Hsin-Yung Enterprise Corporation	-	Financial assets at fair value through other comprehensive income – non-current	5,657,000	305,648	3.90 %	305,648	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	837,552	182,335	7.57 %	182,335	
					<u>1,653,529</u>		<u>1,653,529</u>	

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

Unit: thousand NTD

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC	Related parties	Purchase	105,162	7.59 %	70 days	-		(24,618)	(5.90) %	
TSRC	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(105,162)	(1.91) %	70 days	-		24,618	1.98 %	
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	120,145	4.17 %	14 days	-		24,878	12.04 %	
TSRC-UBE (Nantong) Industries Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd.	Purchase	110,783	11.62 %	14 days	-		15,492	47.99 %	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	145,520	65.88 %	40 days	-		(24,720)	(87.14) %	
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(145,520)	(6.31) %	40 days	-		24,720	3.61 %	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	466,671	33.67 %	90 days	-		(84,956)	(20.34) %	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(466,671)	(21.31) %	90 days	-		84,956	21.67 %	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	813,506	58.70 %	70 days	-		(312,504)	(74.83) %	
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(813,506)	(35.29) %	70 days	-		312,504	45.67 %	

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	312,504	5.65	-		115,325	-

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

Note 2: Until August 8, 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	28,633	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	28,007	"	0.18 %
0	TSRC	TSRC (Lux.) Corporation S.'a r.l.	1	Sales revenue	105,162	"	0.69 %
0	TSRC	Polybus Corporation Pte Ltd	1	Sales revenue	33,856	"	0.22 %
0	TSRC	Dexco Polymers L.P.	1	Sales revenue	80,166	"	0.53 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	29,276	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.19 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3	Sales revenue	30,522	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.20 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	145,520	"	0.96 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	813,506	"	5.37 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	312,504	"	0.97 %
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	112,759	"	0.74 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	466,671	The transaction is not significantly different from normal transactions, and the collection terms were about three months	3.08 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	84,956	"	0.26 %
2	Dexco Polymers L.P.	TSRC	2	Other income and expenses	15,271	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.10 %
3	TSRC (Lux.) Corporation S.'a r.l.	TSRC	2	Other income and expenses	29,539	"	0.19 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Sales revenue	29,636	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.20 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Entrusted loans	149,262	One year based on the contract of entrusted loans	0.46 %
5	TSRC-UBE (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	31,283	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.21 %

(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
0	TSRC	TSRC(USA) Investment Corporation	1	Note 4	466,080	-	-
0	TSRC	TSRC (Vietnam) Co., Ltd.	1	Note 4	403,936	-	-
0	TSRC	Dexco Polymers L.P.	1	Note 4	310,720	-	-

Note 1: Company numbering is as follows:

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

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

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

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

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

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

(b) Information on investees:

The following is the information on investees for the six months ended June 30, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Net income (losses) of investee	Investment income (losses)	Remarks
				June 30, 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	86,928,000	100.00 %	13,722,110	483,902	483,902	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 %	894,559	40,802	40,802	Subsidiary
TSRC	Dynas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	38,376	38,376	1,161,064	19.48 %	181,176	44,569	8,682	Subsidiary (note 2)
TSRC	TSRC (Vietnam) Co., Ltd.	A VSIP II-A Street 31, Vietnam Singapore Industrial Park II-A, Tam 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 %	270,493	(6,907)	(6,907)	Subsidiary
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	100 Peak Seali Street #09-16 Singapore 079333	International commerce and investment corporation	2,022,818 (USD65,101)	2,022,818 (USD65,101)	105,830,000	100.00 %	8,489,291	381,374	381,374	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F BOC Group Life Assurance Tower 136 Des Voeux Road Central	Investment corporation	2,418,955 (USD77,850)	2,418,955 (USD77,850)	77,850,000	100.00 %	3,265,215	(3,409)	(3,409)	Indirectly owned subsidiary
Trimurti Holding Corporation	Indian Synthetic Rubber Private Limited	Room No.702, Indian Oil Blawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi 110016, India	Production and sale of synthetic rubber products	915,785 (USD29,473)	915,785 (USD29,473)	222,861,375	50.00 %	446,809	215,001	107,501	-
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	1,797,390 (EUR50,800)	1,797,390 (EUR50,800)	50,800,000	100.00 %	2,676,949	(41,174)	(41,174)	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	2,176,594 (USD70,050)	2,176,594 (USD70,050)	100	100.00 %	2,620,698	(25,999)	(25,999)	Indirectly owned subsidiary
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston, TX, USA	Production and sale of TPE	5,984,993 (USD192,617)	5,984,993 (USD192,617)	-	100.00 %	1,532,382	78,262	78,262	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	1,554 (USD50)	1,554 (USD50)	50,000	100.00 %	122,057	4,969	4,969	Indirectly owned subsidiary
Hardison International Corporation	Dynas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	149,115 (USD4,799)	149,115 (USD4,799)	4,798,566	80.52 %	770,203	44,569	35,887	Indirectly owned subsidiary
Dynas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	350,648 (USD11,285)	350,648 (USD11,285)	7,532,337	37.78 %	382,410	105,784	39,965	-

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD31.072; EUR1 to NTD35.3817).

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

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES

Notes to 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 June 30, 2019	Net income (losses) of investee	Direct / Indirect investment holding percentage	Investment Income (losses)	Unit: thousand NTD/thousand USD	
					Remittance amount	Repatriation amount					Book value	Accumulated earnings in current period
Shen Huo Chemical Industries Co., Ltd.	Production and sale of synthetic rubber products	1,340,788 (USD41,220)	(1)a.	-	-	-	-	103,495	65.44 %	67,727	1,853,880	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	717,763 (USD23,100)	(2)c.	119,068 (USD3,832)	-	-	119,068 (USD3,832)	122,376	28.34 %	34,681	478,495	-
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	170,896 (USD5,500)	(2)b.	121,802 (USD3,920)	-	-	121,802 (USD3,920)	39,581	100.00 %	39,581	470,530	-
Nantong Qixi Storage Co., Ltd.	Storehouse for chemicals	91,236 (USD3,000)	(2)d.	46,608 (USD1,500)	-	-	46,608 (USD1,500)	8,809	50.00 %	4,405	66,366	-
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,342,880 (USD40,000)	(2)a.	31,072 (USD1,000)	-	-	31,072 (USD1,000)	41,794	55.00 %	22,987	821,627	-
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	3,266,444 (USD103,125)	(2)a.	206,567 (USD6,648)	-	-	206,567 (USD6,648)	254,708	100.00 %	254,708	4,648,770	-
ARLANGE-OSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,392,026 (USD44,800)	(2)a.	-	-	-	-	63,264	50.00 %	32,632	252,091	-

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 NTD31.072).

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of June 30, 2019	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Unit: thousand NTD/thousand USD	
			Maximum investment amount set by Investment Commission, Ministry of Economic Affairs	
TSRC	525,117 (USD16,900)	5,820,873 (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 NTD31.072).

(iii) Significant transactions:

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

(Continued)

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 June 30, 2019					
Revenue:					
Revenue from external customers	\$ 7,068,731	519,239	-	-	7,587,970
Income from operations	\$ 374,203	105,709	8,525	16,758	505,195
Three months ended June 30, 2018					
Revenue:					
Revenue from external customers	\$ 7,324,450	369,332	-	-	7,693,782
Income from operations	\$ 393,633	91,499	12,068	19,101	516,301
Six months ended June 30, 2019					
Revenue:					
Revenue from external customers	\$ 14,095,439	1,053,526	-	-	15,148,965
Income from operations	\$ 619,405	233,719	(9,735)	63,478	906,867
Six months ended June 30, 2018					
Revenue:					
Revenue from external customers	\$ 14,490,632	720,139	-	-	15,210,771
Income from operations	\$ 859,182	124,489	(3,086)	23,007	1,003,592

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.