

**TSRC CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Review Report
For the Nine Months Ended September 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 September 30, 2019 and 2018, and the related consolidated statements of comprehensive income for the three months and nine months ended September 30, 2019 and 2018, as well as the changes in equity and cash flows for the nine 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 \$3,297,577 thousand and \$3,132,297 thousand, constituting 10% and 11% of the consolidated total assets; and the total liabilities amounting to \$657,659 thousand and \$727,140 thousand, constituting 4% and 6% of the consolidated total liabilities as of September 30, 2019 and 2018, respectively; as well as the total comprehensive income (loss) amounting to \$(67,116) thousand, \$(50,839) thousand, \$17,001 thousand and \$6,168 thousand, constituting 13%, 70%, 3% and 1% of the consolidated total comprehensive income (loss) for the three months and nine months ended September 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 \$1,081,085 thousand and \$942,366 thousand at September 30, 2019 and 2018, respectively, and its equity in net earnings on these investee companies of \$(42,538) thousand, \$(11,220) thousand, \$141,965 thousand and \$91,194 thousand for the three months and nine months ended September 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 September 30, 2019 and 2018, and of its consolidated financial performance for the three months and nine months ended September 30, 2019 and 2018, as well as its consolidated cash flows for the nine 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)
November 12, 2019

Notes to Readers

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
Reviewed only, not audited in accordance with the generally accepted auditing standards as of September 30, 2019 and 2018

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2019, December 31, and September 30, 2018

(Expressed in Thousands of New Taiwan Dollars)

| | September 30, 2019 | | December 31, 2018 | | September 30, 2018 | |
|--|----------------------|------------|----------------------|------------|----------------------|------------|
| | Amount | % | Amount | % | Amount | % |
| Assets | | | | | | |
| Current assets: | | | | | | |
| 1100 Cash and cash equivalents (note 6(a)) | \$ 4,424,295 | 14 | 4,527,752 | 15 | 3,884,724 | 13 |
| 1110 Financial assets at fair value through profit or loss—current (note 6(b)) | 4,859 | - | 679 | - | 3,475 | - |
| 1150 Notes receivable, net (note 6(d)) | 731,781 | 2 | 558,944 | 2 | 702,615 | 2 |
| 1170 Accounts receivable, net (note 6(d)) | 3,124,035 | 10 | 2,873,893 | 10 | 3,001,023 | 10 |
| 1200 Other receivable (notes 6(e) and 7) | 161,087 | 1 | 91,395 | - | 142,368 | - |
| 1220 Current income tax assets | 9,081 | - | 21,636 | - | 41,160 | - |
| 130x Inventories (note 6(f)) | 5,206,936 | 17 | 6,449,363 | 21 | 6,171,736 | 21 |
| 1479 Other current assets | 694,688 | 2 | 337,496 | 1 | 673,967 | 2 |
| Total current assets | 14,356,762 | 46 | 14,861,158 | 49 | 14,621,068 | 48 |
| Non-current assets: | | | | | | |
| 1518 Non-current financial assets at fair value through other comprehensive income (note 6(c)) | 1,382,916 | 4 | 1,299,806 | 4 | 1,296,444 | 4 |
| 1550 Investments accounted for under equity method (notes 6(g) and 7) | 1,081,085 | 3 | 1,067,378 | 4 | 942,366 | 3 |
| 1600 Property, plant and equipment (notes 6(h), 8 and 9) | 9,630,896 | 31 | 8,768,849 | 29 | 8,518,285 | 30 |
| 1755 Right-of-use assets (note 6(i)) | 1,393,610 | 4 | - | - | - | - |
| 1760 Investment property (note 6(j)) | 1,585,280 | 5 | 1,596,324 | 5 | 1,600,005 | 5 |
| 1780 Intangible assets (note 6(k)) | 1,756,923 | 6 | 1,851,601 | 6 | 1,875,383 | 7 |
| 1840 Deferred income tax assets | 260,812 | 1 | 244,319 | 1 | 256,534 | 1 |
| 1900 Other non-current assets | 101,289 | - | 540,734 | 2 | 414,876 | 2 |
| Total non-current assets | 17,192,811 | 54 | 15,369,011 | 51 | 14,903,893 | 52 |
| | 31,549,573 | 100 | 30,230,169 | 100 | 29,524,961 | 100 |
| Total assets | \$ 31,549,573 | 100 | \$ 30,230,169 | 100 | \$ 29,524,961 | 100 |
| Liabilities and Equity | | | | | | |
| Current liabilities: | | | | | | |
| Short-term borrowings (note 6(l)) | \$ 5,018,077 | 16 | 4,147,772 | 14 | 5,636,484 | 19 |
| Current portion of long-term borrowings (notes 6(l) and 8) | 454,663 | 1 | 850,000 | 3 | 800,000 | 3 |
| Financial liabilities at fair value through profit or loss—current (note 6(b)) | 25 | - | 2,066 | - | - | - |
| Accounts payable | 1,147,673 | 4 | 1,514,522 | 5 | 1,567,023 | 5 |
| Current income tax liabilities | 121,202 | - | 133,032 | - | 193,060 | 1 |
| Other payable (notes 6(m), 6(s) and 7) | 1,095,968 | 3 | 1,330,672 | 4 | 960,750 | 3 |
| Current lease liabilities (note 6(n)) | 165,315 | 1 | - | - | - | - |
| Other current liabilities | 171,550 | 1 | 194,549 | 1 | 246,524 | 1 |
| Total current liabilities | 8,174,473 | 26 | 8,172,613 | 27 | 9,403,841 | 32 |
| Non-current liabilities: | | | | | | |
| Long-term bank borrowings (notes 6(l) and 8) | 4,570,660 | 14 | 3,718,325 | 12 | 2,258,265 | 7 |
| Other long-term borrowings (note 6(l)) | 349,890 | 1 | 499,693 | 2 | 499,122 | 2 |
| Provision liabilities—non-current (note 7) | 18,342 | - | 29,189 | - | 28,305 | - |
| Deferred income tax liabilities | 814,274 | 3 | 695,682 | 2 | 632,590 | 2 |
| Non-current lease liabilities (note 6(n)) | 751,370 | 2 | - | - | - | - |
| Other non-current liabilities | 154,278 | - | 232,826 | 1 | 187,725 | 1 |
| Total non-current liabilities | 6,658,814 | 20 | 5,175,715 | 17 | 3,606,007 | 12 |
| Total liabilities | 14,833,287 | 46 | 13,348,328 | 44 | 13,009,848 | 44 |
| Equity attributable to shareholders of the company (note 6(q)): | | | | | | |
| Common stock | 8,257,099 | 26 | 8,257,099 | 27 | 8,257,099 | 28 |
| Capital surplus | 45,158 | - | 45,158 | - | 41,043 | - |
| Retained earnings: | | | | | | |
| Legal reserve | 3,977,141 | 13 | 3,857,922 | 13 | 3,857,922 | 13 |
| Unappropriated earnings | 1,750,136 | 6 | 1,951,564 | 6 | 1,610,199 | 6 |
| Other equity: | | | | | | |
| Financial statement translation differences for foreign operations | 289,540 | 1 | 465,589 | 2 | 369,477 | 1 |
| Unrealized gain on financial assets measured at fair value through other comprehensive income | 916,825 | 3 | 801,805 | 3 | 798,790 | 3 |
| Gains (losses) on hedging instrument | (83,676) | - | (68,134) | - | 9,719 | - |
| Total equity attributable to shareholders of the company | 1,122,689 | 4 | 1,199,260 | 5 | 1,177,986 | 4 |
| Total equity | 15,152,223 | 49 | 15,311,003 | 51 | 14,944,249 | 51 |
| Non-controlling interests | 1,564,063 | 5 | 1,570,838 | 5 | 1,570,864 | 5 |
| Total liabilities and equity | \$ 31,549,573 | 100 | \$ 30,230,169 | 100 | \$ 29,524,961 | 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 nine months ended September 30, 2019 and 2018

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

| | For the three months ended September 30 | | | | For the nine months ended September 30 | | | |
|---|---|-----|-----------|-----|--|-----|------------|-----|
| | 2019 | | 2018 | | 2019 | | 2018 | |
| | Amount | % | Amount | % | Amount | % | Amount | % |
| 4000 Revenue (notes 6(t) and 7) | \$ 6,918,366 | 100 | 7,535,083 | 100 | 22,067,331 | 100 | 22,745,854 | 100 |
| 5000 Operating costs (notes 6(f), 6(h), 6(i), 6(m), 6(n), 6(o), 6(s) and 7) | 6,222,345 | 90 | 6,794,187 | 90 | 19,491,042 | 88 | 20,030,734 | 88 |
| 5910 Gross profit | 696,021 | 10 | 740,896 | 10 | 2,576,289 | 12 | 2,715,120 | 12 |
| 6000 Operating expenses (notes 6(d), 6(h), 6(n), 6(o), 6(s) and 7): | | | | | | | | |
| 6100 Selling expenses | 237,779 | 4 | 236,190 | 3 | 745,939 | 3 | 731,635 | 3 |
| 6200 General and administrative expenses | 276,864 | 4 | 261,388 | 4 | 824,062 | 4 | 787,086 | 4 |
| 6300 Research and development expenses | 97,368 | 1 | 98,380 | 1 | 279,329 | 1 | 266,504 | 1 |
| 6450 Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9 | (28) | - | 16 | - | (1,021) | - | 6,815 | - |
| Total operating expenses | 611,983 | 9 | 595,974 | 8 | 1,848,309 | 8 | 1,792,040 | 8 |
| 6500 Other income and expenses, net (notes 6(u) and 7) | 34,149 | - | 65,692 | 1 | 124,214 | - | 180,564 | 1 |
| 6900 Operating profit | 118,187 | 1 | 210,614 | 3 | 852,194 | 4 | 1,103,644 | 5 |
| Non-operating income and expenses (notes 6(g), 6(n), 6(v) and 7): | | | | | | | | |
| 7010 Other income | 68,515 | 1 | 80,414 | 1 | 141,537 | - | 148,183 | 1 |
| 7020 Other gains and losses | (6,970) | - | 5,956 | - | 8,817 | - | 22,647 | - |
| 7050 Finance costs | (46,541) | (1) | (47,040) | (1) | (146,993) | - | (123,352) | (1) |
| 7370 Share of gain of associates and joint ventures accounted for under equity method | (42,538) | - | (11,220) | - | 141,965 | - | 91,194 | - |
| Total non-operating income and expenses | (27,534) | - | 28,110 | - | 145,326 | - | 138,672 | - |
| 7900 Net income before tax | 90,653 | 1 | 238,724 | 3 | 997,520 | 4 | 1,242,316 | 5 |
| 7950 Less: Tax expenses (note 6(p)) | 72,635 | 1 | 36,957 | - | 307,784 | 1 | 359,081 | 1 |
| Net income | 18,018 | - | 201,767 | 3 | 689,736 | 3 | 883,235 | 4 |
| 8300 Other comprehensive income: | | | | | | | | |
| 8310 Components of other comprehensive income that will not be reclassified to profit or loss | | | | | | | | |
| 8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income | (146,991) | (2) | 80,850 | 1 | 206,084 | 1 | 174,981 | 1 |
| 8349 Income tax related to components of other comprehensive income that will not be reclassified to profit or loss | - | - | - | - | - | - | - | - |
| | (146,991) | (2) | 80,850 | 1 | 206,084 | 1 | 174,981 | 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 | (383,944) | (6) | (300,717) | (4) | (210,675) | (1) | (122,083) | (1) |
| 8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method | (19,439) | - | (54,266) | (1) | (41,505) | - | (71,784) | - |
| 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 | (403,383) | (6) | (354,983) | (5) | (252,180) | (1) | (193,867) | (1) |
| 8300 Other comprehensive income | (550,374) | (8) | (274,133) | (4) | (46,096) | - | (18,886) | - |
| Total comprehensive income | \$ (532,356) | (8) | (72,366) | (1) | 643,640 | 3 | 864,349 | 4 |
| Net income attributable to: | | | | | | | | |
| 8610 Shareholders of parent | \$ 18,779 | - | 200,687 | 3 | 635,922 | 3 | 828,967 | 4 |
| 8620 Non-controlling interests | (761) | - | 1,080 | - | 53,814 | - | 54,268 | - |
| | \$ 18,018 | - | 201,767 | 3 | 689,736 | 3 | 883,235 | 4 |
| Total comprehensive income attributable to: | | | | | | | | |
| 8710 Shareholders of parent | \$ (454,276) | (7) | (17,154) | - | 650,415 | 3 | 859,415 | 4 |
| 8720 Non-controlling interests | (78,080) | (1) | (55,212) | (1) | (6,775) | - | 4,934 | - |
| | \$ (532,356) | (8) | (72,366) | (1) | 643,640 | 3 | 864,349 | 4 |
| 9710 Basic earnings per share (Diluted earnings per share) (in New Taiwan dollars) (note 6(r)) | \$ 0.02 | | 0.24 | | 0.77 | | 1.00 | |

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 Changes in Equity

For the nine months ended September 30, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

| | Equity attributable to owners of parent | | | | | | | | | |
|--|---|-----------------|---------------|---|-----------|-----------|---|---------------------------------------|-----------|---|
| | Retained earnings | | | Financial statements translation differences for foreign operations | | | Total other equity interest | | | Total equity attributable to owners of parent |
| | Common stock | Capital surplus | Legal reserve | Unappropriated retained earnings | Total | | Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income | Gains (losses) on hedging instruments | Total | |
| Balance at January 1, 2018 | \$ 8,257,099 | 41,043 | 3,770,512 | 1,691,172 | 5,461,684 | 512,008 | 593,961 | 11,721 | 1,117,690 | 14,877,516 |
| Appropriation and distribution: | | | | | | | | | | Non-controlling interests |
| Legal reserve | - | - | 87,410 | (87,410) | - | - | - | - | - | 1,565,930 |
| Cash dividends | - | - | - | (792,682) | (792,682) | - | - | - | - | - |
| Net income | - | - | - | 828,967 | 828,967 | - | - | - | - | (792,682) |
| Other comprehensive income (loss) | - | - | - | - | - | (142,531) | 174,981 | (2,002) | 30,448 | 828,967 |
| Total comprehensive income (loss) | - | - | - | - | - | (142,531) | 174,981 | (2,002) | 30,448 | 30,448 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | 828,967 | 828,967 | (142,531) | 174,981 | (2,002) | 30,448 | 859,415 |
| Balance at September 30, 2018 | \$ 8,257,099 | 41,043 | 3,857,922 | 1,610,199 | 5,468,121 | 369,477 | 798,790 | 9,719 | 1,177,986 | 14,944,249 |
| Balance at January 1, 2019 | \$ 8,257,099 | 45,158 | 3,857,922 | 1,951,564 | 5,809,486 | 465,589 | 801,805 | (68,134) | 1,199,260 | 15,311,003 |
| Appropriation and distribution: | | | | | | | | | | Non-controlling interests |
| Legal reserve | - | - | 119,219 | (119,219) | - | - | - | - | - | 1,570,864 |
| Cash dividends | - | - | - | (809,195) | (809,195) | - | - | - | - | - |
| Net income | - | - | - | 635,922 | 635,922 | - | - | - | - | (809,195) |
| Other comprehensive income (loss) | - | - | - | - | - | (176,049) | 206,084 | (15,542) | 14,493 | 635,922 |
| Total comprehensive income (loss) | - | - | - | - | - | (176,049) | 206,084 | (15,542) | 14,493 | 635,922 |
| Disposal of investments in equity instruments at fair value through other comprehensive income | - | - | - | 635,922 | 635,922 | (176,049) | 206,084 | (15,542) | 14,493 | 650,415 |
| Balance at September 30, 2019 | \$ 8,257,099 | 45,158 | 3,977,141 | 1,750,136 | 5,727,277 | 289,540 | 916,825 | (83,676) | 1,122,689 | 15,152,223 |
| | | | | | | | | | | Non-controlling interests |
| | | | | | | | | | | 1,564,063 |
| | | | | | | | | | | 16,716,286 |

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 nine months ended September 30, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars)

| | For the nine months ended September 30 | |
|---|---|--------------|
| | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Consolidated net income before tax | \$ 997,520 | 1,242,316 |
| Adjustments: | | |
| Adjustments to reconcile profit and loss: | | |
| Depreciation | 750,842 | 653,081 |
| Amortization | 116,354 | 113,393 |
| Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9 | (1,021) | 6,815 |
| Interest expense | 146,993 | 123,352 |
| Interest income | (72,047) | (55,204) |
| Dividend income | (69,490) | (81,253) |
| Share of profit of associates and joint ventures accounted for under equity method | (141,965) | (91,194) |
| Loss on disposal of property, plant and equipment | 12,523 | 1,814 |
| Amortization of long-term prepaid rent | 63,752 | 7,381 |
| Gains from bargain purchase | - | (11,726) |
| Total adjustments to reconcile profit and loss | 805,941 | 666,459 |
| Changes in operating assets and liabilities: | | |
| Net changes in operating assets: | | |
| Financial assets at fair value through profit or loss | (4,180) | (3,475) |
| Notes receivable | (172,837) | 206,852 |
| Accounts receivable | (249,121) | (100,250) |
| Other receivable | (39,573) | (57,928) |
| Inventories | 1,242,427 | (131,056) |
| Other current assets | (368,647) | (293,398) |
| Total changes in operating assets, net | 408,069 | (379,255) |
| Net changes in operating liabilities: | | |
| Financial liabilities at fair value through profit or loss | (2,041) | (226) |
| Accounts payable | (366,849) | (226,069) |
| Accounts payable—related parties | - | (35,663) |
| Other payable | (220,851) | (178,524) |
| Other current liabilities | (16,012) | 68,063 |
| Net defined benefit liability | (49,793) | (57,877) |
| Other operating liabilities | 630 | (1,531) |
| Total changes in operating liabilities, net | (654,916) | (431,827) |
| Total changes in operating assets and liabilities, net | (246,847) | (811,082) |
| Total adjustments | 559,094 | (144,623) |
| Cash provided by operating activities | 1,556,614 | 1,097,693 |
| Interest income received | 79,289 | 46,937 |
| Interest paid | (137,064) | (115,548) |
| Income taxes paid | (204,960) | (283,437) |
| Net cash provided by operating activities | 1,293,879 | 745,645 |
| Cash flows from investing activities: | | |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | 123,564 | - |
| Acquisition of investments accounted for under equity method | - | (42,184) |
| Acquisition of property, plant and equipment | (1,782,087) | (782,112) |
| Proceeds from disposal of property, plant and equipment | 403 | 333 |
| Decrease in other non-current assets | 20,585 | 15,826 |
| Dividends received | 121,489 | 131,643 |
| Proceeds from capital repayments of investments accounted for under equity method | - | 232,109 |
| Net cash used in investing activities | (1,516,046) | (444,385) |
| Cash flows from financing activities: | | |
| Increase in short-term borrowings | 15,709,239 | 28,997,287 |
| Decrease in short-term borrowings | (14,774,989) | (29,804,421) |
| 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 | 1,117,623 | 1,948,617 |
| Repayments of long-term borrowings | (643,301) | (500,000) |
| Increase (decrease) in other long-term borrowings | (153,932) | 495,934 |
| Decrease in finance lease liabilities | - | (4,931) |
| Payment of lease liabilities | (147,632) | - |
| Cash dividends paid | (806,375) | (791,143) |
| Net cash provided by (used in) financing activities | 300,633 | (9,134) |
| Effect of exchange rate changes on cash and cash equivalents | (181,923) | 32,158 |
| Net increase (decrease) in cash and cash equivalents | (103,457) | 324,284 |
| Cash and cash equivalents at beginning of period | 4,527,752 | 3,560,440 |
| Cash and cash equivalents at end of period | \$ 4,424,295 | 3,884,724 |

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 nine months ended September 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 November 12, 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 |

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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.

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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 \$1,553,807 thousands of right-of-use assets and \$1,061,164 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%.

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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 | 695,161 |
| | <u><u>\$ 1,069,602</u></u> |
| Discounted using the incremental borrowing rate at January 1, 2019 | \$ 1,025,326 |
| Finance lease liabilities recognized as at December 31, 2018 | <u>35,838</u> |
| Lease liabilities recognized at January 1, 2019 | <u><u>\$ 1,061,164</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 September 30, 2019.

(b) The impact of IFRS endorsed by FSC that will soon take effect

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>September 30, 2019</u> | <u>December 31, 2018</u> | <u>September 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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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

| Name of investor | Name of investee | Scope of business | Percentage of ownership | | | Description |
|------------------------------------|--|---|-------------------------|-------------------|--------------------|--------------|
| | | | September 30, 2019 | December 31, 2018 | September 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
Notes to the Consolidated Financial Statements

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 of the underlying asset purchase option; or
- there is a change of its assessment on whether it will exercise a purchase, extension or termination option; or
- there is any lease modifications

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

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

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

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

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) As a lessor

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

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

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

(d) Employee benefits

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

(e) Income tax

Income tax expense for the period 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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-----------------------|----------------------|-----------------------|
| Cash on hand | \$ 464 | 433 | 453 |
| Checking and savings deposits | 1,170,582 | 1,593,472 | 1,222,699 |
| Time deposits | 3,253,249 | 2,933,847 | 2,661,572 |
| Cash and cash equivalents per statements of cash flow | <u>\$ 4,424,295</u> | <u>4,527,752</u> | <u>3,884,724</u> |

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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|-----------------------|----------------------|-----------------------|
| Mandatorily measured at fair value through profit or loss: | | | |
| Derivative instruments not used for hedging | | | |
| Forward contracts/Swap contracts | <u>\$ 4,859</u> | <u>679</u> | <u>3,475</u> |
| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
| Financial liabilities held for trading: | | | |
| Derivative instruments not used for hedging | | | |
| Forward contracts/Swap contracts | <u>\$ 25</u> | <u>2,066</u> | <u>-</u> |

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

The Group uses derivative financial instruments to manage the exposures due to fluctuations of foreign exchange risk from its operating activities. The Group reported the following derivatives financial instruments as financial assets and liabilities at fair value through profit or loss without the application of hedge accounting:

Forward contracts / Swap contracts:

| September 30, 2019 | | | |
|---------------------------|---|-----------------|----------------------------|
| | Contract amount (thousand) | Currency | Maturity dates |
| Forward contracts | \$ 300 | USD/EUR | 2019.10.8 |
| Forward contracts | 200 | TWD/EUR | 2019.10.18 |
| Swap contracts | 14,520 | USD/EUR | 2019.10.16 ~ 2019.11.15 |
| Swap contracts | 270 | TWD/EUR | 2019.10.16 |
| Swap contracts | 140 | USD/JPY | 2019.10.21 |

| December 31, 2018 | | | |
|--------------------------|---|-----------------|-----------------------|
| | Contract amount (thousand) | Currency | Maturity dates |
| Swap contracts | \$ 14,960 | USD/EUR | 2019.1.4~2019.1.29 |

| September 30, 2018 | | | |
|---------------------------|---|-----------------|-----------------------|
| | Contract amount (thousand) | Currency | Maturity dates |
| Forward contracts | \$ 230 | EUR/TWD | 2018.10.18 |
| Forward contracts | 22,690 | JPY/TWD | 2018.10.11 |
| Swap contracts | 13,600 | USD/EUR | 2018.10.19~2018.11.5 |

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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-------------------------------|------------------------------|-------------------------------|
| Equity investments at fair value through other comprehensive income: | | | |
| Listed stocks (domestic) | \$ 238,310 | 305,631 | 299,030 |
| Unlisted stocks (domestic and overseas) | 1,144,606 | 994,175 | 997,414 |
| Total | \$ 1,382,916 | 1,299,806 | 1,296,444 |

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

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

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

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

(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 |
|---------------------------|--|----------------------|------------|
| September 30, 2019 | | | |
| THB | \$ 338,993 | 0.9974 | 338,112 |
| December 31, 2018 | | | |
| THB | 367,531 | 0.9532 | 350,331 |
| September 30, 2018 | | | |
| THB | 369,353 | 0.9485 | 350,331 |

(d) Notes and accounts receivable

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|----------------------|-------------------------------|------------------------------|-------------------------------|
| Notes receivable | \$ 731,781 | 558,944 | 702,615 |
| Accounts receivable | 3,133,239 | 2,884,202 | 3,008,103 |
| Less: loss allowance | 9,204 | 10,309 | 7,080 |
| | <u>\$ 3,855,816</u> | <u>3,432,837</u> | <u>3,703,638</u> |

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TSRC CORPORATION AND SUBSIDIARIES
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The Group applies the simplified approach to provide for its expected credit losses, i.e. the use of lifetime expected credit loss provision for all receivables. 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:

| September 30, 2019 | | | |
|---------------------------|----------------------------------|--|-------------------------------------|
| | Gross carrying amount | Weighted- average expected credit loss rate | Loss allowance provision |
| Current | \$ 3,808,092 | 0.13%~0.35% | 4,951 |
| 1 to 30 days past due | 46,055 | 1.03%~10.25% | 809 |
| 31 to 90 days past due | 8,976 | 8.25%~33.36% | 1,547 |
| More than 90 days past | 1,897 | 100% | 1,897 |
| | \$ 3,865,020 | | 9,204 |
| 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 |
| | \$ 3,443,146 | | 10,309 |
| September 30, 2018 | | | |
| | Gross carrying amount | Weighted- average expected credit loss rate | Loss allowance provision |
| Current | \$ 3,564,734 | 0.01%~0.33% | 251 |
| 1 to 30 days past due | 126,932 | 0.45%~16.31% | 2,383 |
| 31 to 90 days past due | 16,195 | 5.98%~27.3% | 1,589 |
| More than 90 days past | 2,857 | 100% | 2,857 |
| | \$ 3,710,718 | | 7,080 |

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

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

| | For the nine months ended September 30 | |
|---|---|--------------|
| | 2019 | 2018 |
| Balance on January 1, 2019 and 2018 | \$ 10,309 | 279 |
| Impairment losses recognized (reversed) | (1,021) | 6,815 |
| Foreign exchange gain (loss) | (84) | (14) |
| Balance on September 30, 2019 and 2018 | <u>\$ 9,204</u> | <u>7,080</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)

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|-----------------------------------|-------------------------------|------------------------------|-------------------------------|
| Other receivables—related parties | \$ 40,575 | 42,427 | 58,865 |
| Other | 120,512 | 48,968 | 83,503 |
| | <u>\$ 161,087</u> | <u>91,395</u> | <u>142,368</u> |

As of September 30, 2019, December 31 and September 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:

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|------------------|-------------------------------|------------------------------|-------------------------------|
| Raw materials | \$ 1,276,092 | 1,713,308 | 1,615,107 |
| Supplies | 113,558 | 102,599 | 105,809 |
| Work in progress | 307,293 | 370,562 | 313,092 |
| Finished goods | 2,954,227 | 3,576,007 | 3,498,071 |
| Merchandise | 555,766 | 686,887 | 639,657 |
| Total | <u>\$ 5,206,936</u> | <u>6,449,363</u> | <u>6,171,736</u> |

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TSRC CORPORATION AND SUBSIDIARIES
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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 September 30 | | For the nine months ended September 30 | |
|--|--|---------------|---|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Loss on (reversal of) decline in market value of inventory | \$ 17,175 | 52,355 | 11,859 | 37,245 |
| Income from sale of scrap | (13,510) | (15,694) | (37,662) | (43,102) |
| Unallocated production overhead | 69,396 | 15,405 | 90,788 | 17,325 |
| Total | <u>\$ 73,061</u> | <u>52,066</u> | <u>64,985</u> | <u>11,468</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:

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|----------------|-------------------------------|------------------------------|-------------------------------|
| Associates | \$ 625,034 | 628,467 | 609,746 |
| Joint ventures | 456,051 | 438,911 | 332,620 |
| | <u>\$ 1,081,085</u> | <u>1,067,378</u> | <u>942,366</u> |

(i) Associates

For the three months ended September 30, 2019 and 2018 and the nine months ended September 30, 2019 and 2018, the Group recognized its share of gain from the associates of \$12,492 thousand, \$24,530 thousand, \$85,089 thousand and \$84,766 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 | | |
|--|---|--|--|------------------------------|-------------------------------|
| | | | September 30, 2019 | December 31, 2018 | September 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.

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

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

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

| | For the three months ended September 30, 2018 (Note 2) | For the nine months ended September 30, 2018 |
|--|---|---|
| Revenue | \$ - | <u>1,324,113</u> |
| Net income of continued operations | \$ - | 36,141 |
| Other comprehensive income (loss) | - | - |
| Total comprehensive income (loss) | \$ - | <u>36,141</u> |
| Total comprehensive income attributable to the Group | \$ - | <u>12,303</u> |

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

| | For the nine months ended September 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 | <u>(213,287)</u> |
| Ending balance of the equity of the associate attributable to the Group | <u>\$ -</u> |

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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|----------------------------------|-----------------------|----------------------|-----------------------|
| Current assets | \$ 426,045 | 716,347 | 739,844 |
| Non-current assets | 776,071 | 822,219 | 839,227 |
| Current liabilities | (704,916) | (1,094,043) | (1,150,025) |
| Non-current liabilities | (32,452) | (13,709) | (13,604) |
| Equity | <u>\$ 464,748</u> | <u>430,814</u> | <u>415,442</u> |
| Equity attributable to the Group | <u>\$ 232,374</u> | <u>215,407</u> | <u>207,721</u> |

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|--|--|---------------|---|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | \$ 441,106 | 619,096 | 1,419,012 | 1,581,900 |
| Net income (loss) of continued operations | \$ (17,585) | 28,358 | 47,679 | 67,295 |
| Other comprehensive income (loss) | - | - | - | - |
| Total comprehensive income (loss) | <u>\$ (17,585)</u> | <u>28,358</u> | <u>47,679</u> | <u>67,295</u> |
| Total comprehensive income attributable to the Group | <u>\$ (8,792)</u> | <u>14,178</u> | <u>23,840</u> | <u>33,647</u> |

| | For the nine months ended September 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 | 23,840 | 33,647 |
| Other | (10,380) | (5,384) |
| Ending balance of the equity of the associate attributable to the Group | <u>\$ 233,295</u> | <u>209,610</u> |

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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|-----------------------|----------------------|-----------------------|
| Balance of not significant associate's equity | <u>\$ 391,739</u> | <u>408,632</u> | <u>400,136</u> |

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| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---------------------------------|--|---------------|---|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Attributable to the Group: | | | | |
| Income from continued operation | \$ 21,284 | 10,352 | 61,249 | 38,816 |
| Other comprehensive income | - | - | - | - |
| Total comprehensive income | <u>\$ 21,284</u> | <u>10,352</u> | <u>61,249</u> | <u>38,816</u> |

(ii) Joint ventures

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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|----------------------------------|-----------------------|----------------------|-----------------------|
| Current assets | \$ 2,173,379 | 2,663,769 | 2,206,368 |
| Non-current assets | 3,627,628 | 3,484,344 | 3,267,876 |
| Current liabilities | (2,291,683) | (2,424,997) | (2,060,214) |
| Non-current liabilities | (2,627,245) | (2,910,295) | (2,836,921) |
| Equity | <u>\$ 882,079</u> | <u>812,821</u> | <u>577,109</u> |
| Equity attributable to the Group | <u>\$ 441,039</u> | <u>406,411</u> | <u>288,555</u> |

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|--|--|------------------|---|------------------|
| | 2019 | 2018 | 2019 | 2018 |
| Revenue | <u>\$ 1,048,555</u> | <u>1,472,128</u> | <u>3,516,204</u> | <u>2,452,166</u> |
| Net income of continued operations | \$ (114,012) | (72,434) | 100,989 | 45,547 |
| Other comprehensive income (loss) | - | - | - | - |
| Total comprehensive income (loss) | <u>\$ (114,012)</u> | <u>(72,434)</u> | <u>100,989</u> | <u>45,547</u> |
| Total comprehensive income attributable to the Group | <u>\$ (57,007)</u> | <u>(36,508)</u> | <u>50,494</u> | <u>4,667</u> |

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| | For the nine months ended September 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 | 50,494 | 4,667 |
| Other | (23,256) | 28,912 |
| Ending balance of the equity of the joint venture attributable to the Group | <u>\$ 390,379</u> | <u>246,866</u> |

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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|-------------------------------|------------------------------|-------------------------------|
| Balance of not significant joint venture's equity | \$ <u>65,672</u> | <u>75,770</u> | <u>85,754</u> |

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|-----------------------------------|--|-------------|---|--------------|
| | 2019 | 2018 | 2019 | 2018 |
| Attributable to the Group: | | | | |
| Income from continued operation | \$ 1,977 | 758 | 6,382 | 1,761 |
| Other comprehensive income (loss) | - | - | - | - |
| Total comprehensive income (loss) | <u>\$ 1,977</u> | <u>758</u> | <u>6,382</u> | <u>1,761</u> |

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

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

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

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(h) Property, plant and equipment

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

| | Land | Land improvements | Buildings | Machinery | Furniture and fixtures and other equipment | Leased assets | Construction in progress | Total |
|--|-------------------|-------------------|------------------|-------------------|--|---------------|--------------------------|-------------------|
| Cost: | | | | | | | | |
| Balance at January 1, 2019 | \$ 614,101 | 106,999 | 3,998,164 | 20,282,127 | 228,273 | 94,596 | 1,210,859 | 26,535,119 |
| Additions | - | - | - | 16,167 | 239 | - | 1,751,028 | 1,767,434 |
| Disposals | - | - | - | (54,905) | (4,639) | - | - | (59,544) |
| Reclassification | - | 1,275 | 4,025 | 210,567 | 17,960 | (94,596) | (241,139) | (101,908) |
| Effect of changes in exchange rates | - | 234 | (76,108) | (180,627) | (1,850) | - | (24,509) | (282,860) |
| Balance at September 30, 2019 | <u>\$ 614,101</u> | <u>108,508</u> | <u>3,926,081</u> | <u>20,273,329</u> | <u>239,983</u> | <u>-</u> | <u>2,696,239</u> | <u>27,858,241</u> |
| 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 | - | - | - | 3,919 | 188 | - | 741,069 | 745,176 |
| Disposals | - | - | - | (38,119) | (1,039) | - | - | (39,158) |
| Reclassification | - | 199 | 6,860 | 275,147 | 7,609 | - | (295,127) | (5,312) |
| Effect of changes in exchange rates | - | 532 | (81,518) | (145,601) | (1,281) | - | (5,877) | (233,745) |
| Balance at September 30, 2018 | <u>\$ 614,101</u> | <u>106,862</u> | <u>3,973,433</u> | <u>20,039,721</u> | <u>222,551</u> | <u>94,596</u> | <u>1,006,147</u> | <u>26,057,411</u> |
| Depreciation and impairment loss: | | | | | | | | |
| Balance at January 1, 2019 | \$ - | 88,237 | 2,236,682 | 15,270,710 | 170,641 | - | - | 17,766,270 |
| Depreciation | - | 1,889 | 97,557 | 547,597 | 10,819 | - | - | 657,862 |
| Disposal | - | - | - | (42,443) | (4,175) | - | - | (46,618) |
| Effect of changes in exchange rates | - | 231 | (40,389) | (108,698) | (1,313) | - | - | (150,169) |
| Balance at September 30, 2019 | <u>\$ -</u> | <u>90,357</u> | <u>2,293,850</u> | <u>15,667,166</u> | <u>175,972</u> | <u>-</u> | <u>-</u> | <u>18,227,345</u> |
| Balance at January 1, 2018 | \$ - | 85,133 | 2,134,269 | 14,652,082 | 160,257 | - | - | 17,031,741 |
| Depreciation | - | 1,838 | 99,107 | 531,969 | 9,123 | - | - | 642,037 |
| Disposal | - | - | - | (36,101) | (910) | - | - | (37,011) |
| Effect of changes in exchange rates | - | 524 | (38,105) | (59,315) | (745) | - | - | (97,641) |
| Balance at September 30, 2018 | <u>\$ -</u> | <u>87,495</u> | <u>2,195,271</u> | <u>15,088,635</u> | <u>167,725</u> | <u>-</u> | <u>-</u> | <u>17,539,126</u> |
| Carrying value: | | | | | | | | |
| January 1, 2019 | <u>\$ 614,101</u> | <u>18,762</u> | <u>1,761,482</u> | <u>5,011,417</u> | <u>57,632</u> | <u>94,596</u> | <u>1,210,859</u> | <u>8,768,849</u> |
| September 30, 2019 | <u>\$ 614,101</u> | <u>18,151</u> | <u>1,632,231</u> | <u>4,606,163</u> | <u>64,011</u> | <u>-</u> | <u>2,696,239</u> | <u>9,630,896</u> |
| January 1, 2018 | <u>\$ 614,101</u> | <u>20,998</u> | <u>1,913,822</u> | <u>5,292,293</u> | <u>56,817</u> | <u>94,596</u> | <u>566,082</u> | <u>8,558,709</u> |
| September 30, 2018 | <u>\$ 614,101</u> | <u>19,367</u> | <u>1,778,162</u> | <u>4,951,086</u> | <u>54,826</u> | <u>94,596</u> | <u>1,006,147</u> | <u>8,518,285</u> |

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

(i) Right-of-use assets

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

| | Land | Building | Machinery | Transportation equipment | Total |
|---|-------------------|----------------|----------------|--------------------------|------------------|
| Cost: | | | | | |
| Balance at January 1, 2019 | \$ - | - | - | - | - |
| Effects of retrospective application | 681,888 | 396,904 | 565,489 | 29,829 | 1,674,110 |
| Balance at January 1, 2019 | 681,888 | 396,904 | 565,489 | 29,829 | 1,674,110 |
| Additions | 187 | 12,777 | - | - | 12,964 |
| Lease modification | - | (10,893) | (496) | 5,127 | (6,262) |
| Amortization to operating costs and inventories | - | (26,557) | (37,195) | - | (63,752) |
| Effect of changes in foreign exchange rates | (12,194) | (127) | (13,133) | 50 | (25,404) |
| Balance at September 30, 2019 | <u>\$ 669,881</u> | <u>372,104</u> | <u>514,665</u> | <u>35,006</u> | <u>1,591,656</u> |

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| | Land | Building | Machinery | Transportation equipment | Total |
|---|-------------------|----------------|----------------|--------------------------|------------------|
| Accumulated depreciation and impairment losses: | | | | | |
| Balance at January 1, 2019 | \$ - | - | - | - | - |
| Effects of retrospective application | 120,302 | - | - | - | 120,302 |
| Balance at January 1, 2019 | 120,302 | - | - | - | 120,302 |
| Depreciation | 10,888 | 53,087 | 11,258 | 6,703 | 81,936 |
| Effect of changes in exchange rates | (3,609) | (534) | (5) | (44) | (4,192) |
| Balance at September 30, 2019 | <u>\$ 127,581</u> | <u>52,553</u> | <u>11,253</u> | <u>6,659</u> | <u>198,046</u> |
| Carrying value: | | | | | |
| September 30, 2019 | <u>\$ 542,300</u> | <u>319,551</u> | <u>503,412</u> | <u>28,347</u> | <u>1,393,610</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, September 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> |
| September 30, 2019 | \$ <u>1,585,280</u> |
| January 1, 2018 | \$ <u>1,611,050</u> |
| September 30, 2018 | \$ <u>1,600,005</u> |

There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's investment properties for the nine months ended September 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.

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 | \$ <u>562,801</u> | <u>24,801</u> | <u>211,100</u> | <u>424,603</u> | <u>628,296</u> | <u>1,851,601</u> |
| September 30, 2019 | \$ <u>530,353</u> | <u>14,573</u> | <u>213,222</u> | <u>410,595</u> | <u>588,180</u> | <u>1,756,923</u> |
| January 1, 2018 | \$ <u>596,151</u> | <u>35,658</u> | <u>205,021</u> | <u>435,806</u> | <u>669,714</u> | <u>1,942,350</u> |
| September 30, 2018 | \$ <u>572,112</u> | <u>25,527</u> | <u>209,850</u> | <u>428,085</u> | <u>639,809</u> | <u>1,875,383</u> |

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There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's intangible assets for the nine months ended September 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

| September 30, 2019 | | |
|------------------------------------|-------------------------|-------------------------------|
| Range of interest rates (%) | Year of maturity | Amount |
| Unsecured loans | 0.32~5.22 | 2019~2020 \$ <u>5,018,077</u> |
| December 31, 2018 | | |
| Range of interest rates (%) | Year of maturity | Amount |
| Unsecured loans | 0.55~5.66 | 2019 \$ <u>4,147,772</u> |
| September 30, 2018 | | |
| Range of interest rates (%) | Year of maturity | Amount |
| Unsecured loans | 0.53~5.655 | 2018~2019 \$ <u>5,636,484</u> |

As of September 30, 2019, December 31 and September 30, 2018, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to \$16,765,945 thousand, \$15,664,492 thousand and \$14,887,937 thousand, respectively.

(ii) Long-term borrowings

1) Long-term bank borrowings

| September 30, 2019 | | |
|------------------------------------|-------------------------|----------------------|
| Range of interest rates (%) | Year of maturity | Amount |
| Secured loans | 3.43~4.38 | 2020~2023 \$ 788,020 |
| Unsecured loans | 1.12~5.08 | 2019~2023 4,237,303 |
| Total | | \$ <u>5,025,323</u> |
| Current | | \$ 454,663 |
| Non-current | | 4,570,660 |
| Total | | \$ <u>5,025,323</u> |

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

| September 30, 2018 | | | |
|---------------------------|--|-----------------------------|---------------------|
| | Range of interest rates (%) | Year of maturity | Amount |
| Secured loans | 3.66 | 2020 | \$ 458,265 |
| Unsecured loans | 1.05~1.44 | 2018~2023 | 2,600,000 |
| Total | | | <u>\$ 3,058,265</u> |
| Current | | | \$ 800,000 |
| Non-current | | | 2,258,265 |
| Total | | | <u>\$ 3,058,265</u> |

For the nine months ended September 30, 2019 and 2018, the Group repaid the amounts of \$643,301 thousand and \$500,000 thousand, respectively, for its long-term borrowings, wherein the proceeds amounting to \$1,117,623 thousand and \$1,948,617 thousand had the interest rates of 1.12% to 5.08% and 1.05% to 3.66%, as well as maturities ranging from December 2019 to November 2022 and March 2020 to March 2023, respectively. Please refer to note 6(n) of the consolidated financial statements for year ended December 31, 2018 for related information.

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

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-------------------------------|------------------------------|-------------------------------|
| Long-term commercial paper payable | \$ 350,000 | 500,000 | 500,000 |
| Less: discount on long-term commercial paper payable | 110 | 307 | 878 |
| Total | <u>\$ 349,890</u> | <u>499,693</u> | <u>499,122</u> |

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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 September 30, 2019, December 31 and September 30, 2018 was 1.2770%, 1.2457% and 1.2563%, respectively.

(m) Current provisions (recorded as other payable)

| | Provision for defective products |
|-------------------------------------|---|
| Balance at January 1, 2019 | \$ 27,128 |
| Increase in provisions | 19,885 |
| Provisions recognized | (33) |
| Reversal of unused provisions | (24,446) |
| Effect of changes in exchange rates | (270) |
| Balance at September 30, 2019 | <u>\$ 22,264</u> |
| Balance at January 1, 2018 | \$ 28,324 |
| Increase in provisions | 25,615 |
| Provisions recognized | (1,477) |
| Reversal of unused provisions | (32,170) |
| Effect of changes in exchange rates | (249) |
| Balance at September 30, 2018 | <u>\$ 20,043</u> |

(n) Lease liabilities

The Group's lease liabilities were as follow:

| | September 30, 2019 |
|-------------|-------------------------------|
| Current | \$ <u>165,315</u> |
| Non-current | \$ <u>751,370</u> |

For the maturity analysis, please refer to note 6(w).

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The amounts recognized in profit or loss were as follows:

| | For the three months ended September 30, 2019 | For the nine months ended September 30, 2019 |
|---|--|---|
| Interest on lease liabilities | \$ <u>2,217</u> | <u>7,820</u> |
| Expenses relating to short-term leases | \$ <u>1,543</u> | <u>3,080</u> |
| Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets | \$ <u>5,826</u> | <u>14,224</u> |

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

| | For the nine months ended September 30, 2019 |
|-------------------------------|---|
| Total cash outflow for leases | \$ <u>172,756</u> |

(o) Employee benefits

(i) Defined benefit plans

The Group allocates the pension fund in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and contributed \$51,960 thousand to the Bank of Taiwan labor pension reserve account in March 2019. Since there were no significant market fluctuations, curtailments, settlements, or other one-off events after the prior financial year ended, the Group adopted the pension cost rate from the actuarial valuation as of December 31, 2018 and 2017.

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

| | For the three months ended September 30 2019 | 2018 | For the nine months ended September 30 2019 | 2018 |
|--------------------|---|--------------|--|--------------|
| Operating costs | \$ 1,132 | 1,398 | 3,434 | 4,155 |
| Operating expenses | <u>755</u> | <u>871</u> | <u>2,230</u> | <u>2,651</u> |
| | <u>\$ 1,887</u> | <u>2,269</u> | <u>5,664</u> | <u>6,806</u> |

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(ii) Defined contribution plans

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|--------------------|--|---------------|---|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Operating costs | \$ 16,625 | 19,603 | 59,695 | 55,140 |
| Operating expenses | 8,508 | 9,370 | 30,248 | 27,552 |
| | <u>\$ 25,133</u> | <u>28,973</u> | <u>89,943</u> | <u>82,692</u> |

(p) Income tax

The components of income tax expense were as follows:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|--|---------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Current income tax expense | | | | |
| Current period | \$ 59,728 | (4,748) | 205,904 | 378,294 |
| Adjustment for prior periods | (198) | - | (219) | 9,161 |
| Deferred tax expense | | | | |
| Origination and reversal of temporary differences | 13,105 | 41,705 | 102,099 | (28,374) |
| Income tax expenses on continuing operations | <u>\$ 72,635</u> | <u>36,957</u> | <u>307,784</u> | <u>359,081</u> |

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

(q) Capital and other equity

Except as explained in the following paragraphs, there were no significant changes in the capital and other equity during the nine months ended September 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.

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

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

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

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> |
| (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 | (150,086) | - | - | (150,086) |
| Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method | (25,963) | - | - | (25,963) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 206,084 | - | 206,084 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | (91,064) | - | (91,064) |
| Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges | - | - | (15,542) | (15,542) |
| Balance as of September 30, 2019 | <u>\$ 289,540</u> | <u>916,825</u> | <u>(83,676)</u> | <u>1,122,689</u> |

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| | Foreign exchange differences arising from foreign operations | Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | Gains (losses) on hedging instruments | Total |
|---|--|---|---|------------------|
| Balance as of January 1, 2018 | \$ 512,008 | 593,961 | 11,721 | 1,117,690 |
| Foreign exchange differences arising from foreign operations | (72,749) | - | - | (72,749) |
| Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method | (69,782) | - | - | (69,782) |
| Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income | - | 174,981 | - | 174,981 |
| Disposal of investments in equity instruments designated at fair value through other comprehensive income | - | 29,848 | - | 29,848 |
| Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges | - | - | (2,002) | (2,002) |
| Balance as of September 30, 2018 | <u>\$ 369,477</u> | <u>798,790</u> | <u>9,719</u> | <u>1,177,986</u> |

(r) Earnings per share

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

(i) Basic earnings per share

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|--|----------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income attributable to common shareholders of the Company | <u>\$ 18,779</u> | <u>200,687</u> | <u>635,922</u> | <u>828,967</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>\$ 0.02</u> | <u>0.24</u> | <u>0.77</u> | <u>1.00</u> |

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(ii) Diluted earnings per share

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|--|----------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Net income attributable to common shareholders of the Company (diluted) | \$ <u>18,779</u> | <u>200,687</u> | <u>635,922</u> | <u>828,967</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>1,079</u> | <u>533</u> | <u>1,695</u> | <u>942</u> |
| Weighted-average number of shares outstanding (diluted) | <u>826,789</u> | <u>826,243</u> | <u>827,405</u> | <u>826,652</u> |
| Diluted earnings per share (in NT dollars) | \$ <u>0.02</u> | <u>0.24</u> | <u>0.77</u> | <u>1.00</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.

For the three months and nine months ended September 30, 2019 and 2018, the estimated amounts of employees' bonuses were \$3,700 thousand, \$10,486 thousand, \$25,900 thousand and \$18,073 thousand, respectively, and the estimated amounts of directors' remuneration were \$487 thousand, \$2,692 thousand, \$7,045 thousand and \$9,669 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.

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(t) Revenue from contracts with customers

| For the three months ended September 30, 2019 | | | |
|--|-------------------------|-----------------------------|------------------|
| | Synthetic rubber | Non-synthetic rubber | Total |
| Primary geographical markets: | | | |
| Asia | \$ 4,582,149 | 398,943 | 4,981,092 |
| America | 990,857 | 4,353 | 995,210 |
| Europe | 744,426 | - | 744,426 |
| Others | 197,638 | - | 197,638 |
| | <u>\$ 6,515,070</u> | <u>403,296</u> | <u>6,918,366</u> |
| Major product lines: | | | |
| Synthetic rubber / elastomers | 6,131,229 | - | 6,131,229 |
| Applied materials | - | 402,111 | 402,111 |
| Others | 383,841 | 1,185 | 385,026 |
| | <u>\$ 6,515,070</u> | <u>403,296</u> | <u>6,918,366</u> |
| For the three months ended September 30, 2018 | | | |
| | Synthetic rubber | Non-synthetic rubber | Total |
| Primary geographical markets: | | | |
| Asia | \$ 5,028,072 | 442,126 | 5,470,198 |
| America | 1,143,140 | 4,246 | 1,147,386 |
| Europe | 730,010 | - | 730,010 |
| Others | 187,489 | - | 187,489 |
| | <u>\$ 7,088,711</u> | <u>446,372</u> | <u>7,535,083</u> |
| Major product lines: | | | |
| Synthetic rubber / elastomers | 6,354,921 | - | 6,354,921 |
| Applied materials | - | 445,930 | 445,930 |
| Others | 733,790 | 442 | 734,232 |
| | <u>\$ 7,088,711</u> | <u>446,372</u> | <u>7,535,083</u> |

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Notes to the Consolidated Financial Statements

| For the nine months ended September 30, 2019 | | | |
|---|-------------------------|-----------------------------|-------------------|
| | Synthetic rubber | Non-synthetic rubber | Total |
| Primary geographical markets: | | | |
| Asia | \$ 14,134,570 | 1,444,679 | 15,579,249 |
| America | 3,277,961 | 12,143 | 3,290,104 |
| Europe | 2,479,572 | - | 2,479,572 |
| Others | 718,406 | - | 718,406 |
| | <u>\$ 20,610,509</u> | <u>1,456,822</u> | <u>22,067,331</u> |
| Major product lines: | | | |
| Synthetic rubber / elastomers | 20,055,074 | - | 20,055,074 |
| Applied materials | - | 1,455,371 | 1,455,371 |
| Others | 555,435 | 1,451 | 556,886 |
| | <u>\$ 20,610,509</u> | <u>1,456,822</u> | <u>22,067,331</u> |

| For the nine months ended September 30, 2018 | | | |
|---|-------------------------|-----------------------------|-------------------|
| | Synthetic rubber | Non-synthetic rubber | Total |
| Primary geographical markets: | | | |
| Asia | \$ 15,044,474 | 1,154,769 | 16,199,243 |
| America | 3,331,786 | 11,690 | 3,343,476 |
| Europe | 2,590,641 | - | 2,590,641 |
| Others | 612,442 | 52 | 612,494 |
| | <u>\$ 21,579,343</u> | <u>1,166,511</u> | <u>22,745,854</u> |
| Major product lines: | | | |
| Synthetic rubber / elastomers | 20,658,915 | - | 20,658,915 |
| Applied materials | - | 1,164,775 | 1,164,775 |
| Others | 920,428 | 1,736 | 922,164 |
| | <u>\$ 21,579,343</u> | <u>1,166,511</u> | <u>22,745,854</u> |

(u) Other income and expenses

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---------------------------------------|--|---------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Rental income | \$ 4,837 | 21,020 | 30,889 | 58,573 |
| Royalty income | 23,195 | 31,973 | 72,356 | 85,157 |
| Net service income | 3,837 | 3,349 | 8,358 | 14,297 |
| Depreciation of investment properties | (3,681) | (3,681) | (11,044) | (11,044) |
| Net other income | 5,961 | 13,031 | 23,655 | 33,581 |
| Other income and expenses | <u>\$ 34,149</u> | <u>65,692</u> | <u>124,214</u> | <u>180,564</u> |

(Continued)

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(v) Non-operating income and expenses

(i) Other gains

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|-----------------------------|--|---------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest income | \$ 21,653 | 21,646 | 72,047 | 55,204 |
| Dividend income | 46,862 | 58,625 | 69,490 | 81,253 |
| Gains from bargain purchase | - | 143 | - | 11,726 |
| Other gains | <u>\$ 68,515</u> | <u>80,414</u> | <u>141,537</u> | <u>148,183</u> |

(ii) Other gains and losses

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|--|--------------|---|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Loss on disposal of property, plant and equipment, net | \$ (125) | (1,412) | (12,523) | (1,814) |
| Foreign exchange gain, net | (19,020) | (79) | (5,823) | 11,525 |
| Gains (losses) on financial assets (liabilities) at fair value through profit or loss | 28,071 | 7,470 | 39,377 | 12,936 |
| Other income (loss) | <u>(15,896)</u> | <u>(23)</u> | <u>(12,214)</u> | <u>-</u> |
| Other gains and losses, net | <u>\$ (6,970)</u> | <u>5,956</u> | <u>8,817</u> | <u>22,647</u> |

(iii) Finance costs

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|------------------|--|---------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Interest expense | <u>\$ 46,541</u> | <u>47,040</u> | <u>146,993</u> | <u>123,352</u> |

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(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 |
|--|---------------------------|--------------------|------------------|------------------|------------------|----------------|
| September 30, 2019 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term debts | \$ 5,071,878 | 4,685,276 | 386,602 | - | - | - |
| Accounts payable (including related parties) | 1,147,673 | 1,147,673 | - | - | - | - |
| Other payables | 825,800 | 825,800 | - | - | - | - |
| Long-term debts (including other long-term borrowings and current portion) | 5,406,736 | 269,035 | 687,911 | 1,152,784 | 3,297,006 | - |
| Lease liabilities | 953,647 | 87,183 | 87,183 | 158,643 | 402,511 | 218,127 |
| Deposits received | 50,213 | - | - | 50,213 | - | - |
| Provision for guarantee liabilities—non-current | 2,248,378 | 620,070 | 594,610 | - | 1,033,698 | - |
| Derivative financial liabilities | | | | | | |
| Other swap contracts/other forward contracts: | | | | | | |
| Outflow | 25 | 25 | - | - | - | - |
| | <u>\$ 15,704,350</u> | <u>7,635,062</u> | <u>1,756,306</u> | <u>1,361,640</u> | <u>4,733,215</u> | <u>218,127</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> |
| September 30, 2018 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Short-term debts | \$ 5,668,046 | 5,428,087 | 239,959 | - | - | - |
| Accounts payable (including related parties) | 1,567,023 | 1,567,023 | - | - | - | - |
| Other payables | 712,900 | 712,900 | - | - | - | - |
| Long-term debts (including current portion) | 3,681,477 | 426,329 | 425,926 | 893,878 | 1,935,344 | - |
| Deposits received | 40,745 | - | - | 40,745 | - | - |
| Provision for guarantee liabilities—non-current | 2,577,983 | 572,720 | 155,400 | 435,352 | 1,414,511 | - |
| | <u>\$ 14,248,174</u> | <u>8,707,059</u> | <u>821,285</u> | <u>1,369,975</u> | <u>3,349,855</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.

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(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> |
|---------------------------|-----------------------------|--------------------------|------------|
| September 30, 2019 | | | |
| Financial assets: | | | |
| Monetary assets: | | | |
| USD | \$ 59,993 | 31.0420 | 1,862,303 |
| EUR | \$ 12,768 | 33.9444 | 433,402 |
| JPY | \$ 141,140 | 0.2878 | 40,620 |
| CNY | \$ 15,873 | 4.3503 | 69,052 |
| Financial liabilities: | | | |
| Monetary liabilities: | | | |
| USD | \$ 59,954 | 31.0420 | 1,861,092 |
| EUR | \$ 10,364 | 33.9444 | 351,813 |
| JPY | \$ 128,000 | 0.2878 | 36,838 |
| 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)

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| | <u>Foreign currency</u> | <u>Exchange rate</u> | <u>NTD</u> |
|---------------------------|-----------------------------|--------------------------|------------|
| September 30, 2018 | | | |
| Financial assets: | | | |
| Monetary assets: | | | |
| USD | \$ 59,191 | 30.5510 | 1,808,344 |
| EUR | \$ 14,698 | 35.4972 | 521,738 |
| JPY | \$ 166,349 | 0.2693 | 44,798 |
| CNY | \$ 15,190 | 4.4400 | 67,444 |
| Financial liabilities: | | | |
| Monetary liabilities: | | | |
| USD | \$ 59,624 | 30.5510 | 1,821,573 |
| EUR | \$ 13,595 | 35.4972 | 482,599 |
| JPY | \$ 137,864 | 0.2693 | 37,127 |

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 \$1,556 thousand and \$1,010 thousand for the nine months ended September 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 nine months ended September 30, 2019 and 2018, foreign exchange gain (including realized and unrealized) amounting to \$33,554 thousand and \$24,461 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 \$77,950 thousand and \$68,954 thousand for the nine months ended September 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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(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.

| September 30, 2019 | | | | | |
|---|---------------------|----------------|--------------|------------------|------------------|
| | 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 | \$ 4,859 | - | 4,859 | - | 4,859 |
| Financial assets at fair value through other comprehensive income | | | | | |
| Listed stocks (domestic) | 238,310 | 238,310 | - | - | 238,310 |
| Unlisted stocks (domestic and overseas) | 1,144,606 | - | - | 1,144,606 | 1,144,606 |
| Subtotal | <u>1,382,916</u> | <u>238,310</u> | <u>-</u> | <u>1,144,606</u> | <u>1,382,916</u> |
| Total | <u>\$ 1,387,775</u> | <u>238,310</u> | <u>4,859</u> | <u>1,144,606</u> | <u>1,387,775</u> |
| Financial liabilities at fair value through profit or loss | | | | | |
| Derivative financial liabilities for hedging | \$ <u>25</u> | <u>-</u> | <u>25</u> | <u>-</u> | <u>25</u> |
| December 31, 2018 | | | | | |
| | Carrying amount | Fair value | | | Total |
| | | Level 1 | Level 2 | Level 3 | |
| Financial assets at fair value through profit or loss | | | | | |
| Derivative financial assets for hedging | \$ 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> |
| Total | <u>\$ 1,300,485</u> | <u>305,631</u> | <u>679</u> | <u>994,175</u> | <u>1,300,485</u> |

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| | | December 31, 2018 | | | | |
|---|----|--------------------|----------------|--------------|----------------|------------------|
| | | Carrying amount | Fair value | | | |
| | | | Level 1 | Level 2 | Level 3 | Total |
| Financial liabilities at fair value through profit or loss | | | | | | |
| Derivative financial liabilities for hedging | \$ | <u>2,066</u> | <u>-</u> | <u>2,066</u> | <u>-</u> | <u>2,066</u> |
| | | September 30, 2018 | | | | |
| | | Carrying amount | Fair value | | | |
| | | | Level 1 | Level 2 | Level 3 | Total |
| Financial assets at fair value through profit or loss | | | | | | |
| Derivative financial assets for hedging | \$ | 3,475 | - | 3,475 | - | 3,475 |
| Financial assets at fair value through other comprehensive income | | | | | | |
| Listed stocks (domestic) | | 299,030 | 299,030 | - | - | 299,030 |
| Unlisted stocks (domestic and overseas) | | 997,414 | - | - | 997,414 | 997,414 |
| Subtotal | | <u>1,296,444</u> | <u>299,030</u> | <u>-</u> | <u>997,414</u> | <u>1,296,444</u> |
| Total | \$ | <u>1,299,919</u> | <u>299,030</u> | <u>3,475</u> | <u>997,414</u> | <u>1,299,919</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 | 150,431 |
| Balance at September 30, 2019 | \$ 1,144,606 |
| Balance at January 1, 2018 | \$ 885,097 |
| Total losses recognized: | |
| In other comprehensive income | 112,317 |
| Balance at September 30, 2018 | \$ 997,414 |

(Continued)

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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 September 30, 2019, December 31, 2018 and September 30, 2018 were 11.8~20.97, 13.20~17.32 and 13.20~17.45, respectively Market illiquidity discount rate as of September 30, 2019, December 31, 2018 and September 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:

| | Input | Assumptions | Other comprehensive income | |
|--|---------------------------|-------------|----------------------------|-------------|
| | | | Favorable | Unfavorable |
| September 30, 2019 | | | | |
| Financial assets fair value through other comprehensive income | | | | |
| Equity investments without an active market | Liquidity discount at 20% | 1% | \$ 14,305 | (14,305) |
| 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) |
| September 30, 2018 | | | | |
| Financial assets fair value through other comprehensive income | | | | |
| Equity investments without an active market | Liquidity discount at 20% | 1% | \$ 12,472 | (12,472) |

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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The favorable and unfavorable 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 nine months ended September 30, 2019 and 2018.

(aa) Reconciliation of liabilities arising from financing activities

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

| | January 1, 2019 | Cash flows | Non-cash changes | | | September 30, 2019 |
|--|----------------------|------------------|---------------------------------|---|--------------|-----------------------|
| | | | Foreign exchange movement | Amortization of commercial paper discount | Others | |
| Long-term borrowings (including current portion) | \$ 4,568,325 | 474,322 | (17,324) | - | - | 5,025,323 |
| Other long-term borrowings | 499,693 | (153,932) | - | 4,129 | - | 349,890 |
| Short-term borrowings | 4,147,772 | 934,250 | (63,945) | - | - | 5,018,077 |
| Lease liabilities | 1,061,164 | (147,632) | (11,369) | 7,820 | 6,702 | 916,685 |
| Total liabilities from financing activities | <u>\$ 10,276,954</u> | <u>1,107,008</u> | <u>(92,638)</u> | <u>11,949</u> | <u>6,702</u> | <u>11,309,975</u> |

| | January 1, 2018 | Cash flows | Non-cash changes | | September 30, 2018 |
|--|---------------------|----------------|---------------------------------|---|-----------------------|
| | | | Foreign exchange movement | Amortization of commercial paper discount | |
| Long-term borrowings (including current portion) | \$ 1,600,000 | 1,448,617 | 9,648 | - | 3,058,265 |
| Other long-term borrowings | - | 495,204 | - | 3,918 | 499,122 |
| Short-term borrowings | 6,365,254 | (807,134) | 78,364 | - | 5,636,484 |
| Short-term commercial paper payable | 349,975 | (350,477) | - | 502 | - |
| Total liabilities from financing activities | <u>\$ 8,315,229</u> | <u>786,210</u> | <u>88,012</u> | <u>4,420</u> | <u>9,193,871</u> |

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(7) Related-party Transactions

(a) Names and relationship with related parties

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

| <u>Name of related party</u> | <u>Relationship with the Group</u> |
|--|--|
| Indian Synthetic Rubber Private Limited | The Group recognized joint venture under equity method (reclassified from associate to joint venture since April 2018) |
| ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. | The Group recognized associates under equity method |
| Asia Pacific Energy Development Co., Ltd | " |
| Taiwan Advanced Material Corp | The Group recognized joint venture under equity method (has been liquidated in December, 2018) |
| Nantong Qix Storage Co., Ltd. | The Group recognized joint venture under equity method |
| 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 September 30</u> | | <u>For the nine months ended September 30</u> | |
|------------|--|---------------|---|---------------|
| | <u>2019</u> | <u>2018</u> | <u>2019</u> | <u>2018</u> |
| Associates | \$ <u>13,068</u> | <u>17,276</u> | <u>30,048</u> | <u>17,276</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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Notes to the Consolidated Financial Statements

(ii) Purchases

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|--------|--|--------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Others | \$ <u>565</u> | <u>3,080</u> | <u>231,493</u> | <u>210,782</u> |

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

(iii) Service income and expenses

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

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|---|--|---------------|---|----------------|
| | 2019 | 2018 | 2019 | 2018 |
| Associates | | | | |
| Indian Synthetic Rubber Private Limited | \$ - | - | - | 15,197 |
| ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. | 36,393 | 44,866 | 112,670 | 131,783 |
| Joint ventures | | | | |
| Indian Synthetic Rubber Private Limited | 13,467 | 16,125 | 42,346 | 32,238 |
| Others | 734 | 723 | 2,602 | 3,069 |
| Other related parties | | | | |
| Others | (896) | (881) | (2,613) | (2,297) |
| | <u>\$ 49,698</u> | <u>60,833</u> | <u>155,005</u> | <u>179,990</u> |

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iv) Receivable from related parties

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

| <u>Account</u> | <u>Type of related parties</u> | <u>September 30, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|------------------|---|-------------------------------|------------------------------|-------------------------------|
| Other receivable | Associates | | | |
| | ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. | \$ 23,689 | 21,365 | 25,369 |
| Other receivable | Joint ventures | | | |
| | Indian Synthetic Rubber Private Limited | 16,647 | 20,820 | 33,254 |
| | Others | 239 | 242 | 242 |
| | | <u>\$ 40,575</u> | <u>42,427</u> | <u>58,865</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>September 30, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|----------------|--------------------------------|-------------------------------|------------------------------|-------------------------------|
| Other payable | Other related parties | <u>\$ 877</u> | <u>908</u> | <u>865</u> |

(vi) Guarantees

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

| | <u>September 30, 2019</u> | <u>December 31, 2018</u> | <u>September 30, 2018</u> |
|--|-------------------------------|------------------------------|-------------------------------|
| Associates | | | |
| ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. | \$ 772,331 | 1,530,733 | 728,120 |
| Joint ventures | | | |
| Indian Synthetic Rubber Private Limited | 1,476,047 | 1,461,354 | 1,452,700 |
| | <u>\$ 2,248,378</u> | <u>2,992,087</u> | <u>2,180,820</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:

| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|--|-----------------------|----------------------|-----------------------|
| Associates | | | |
| ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. | \$ 921 | 4,428 | 1,889 |
| Joint ventures | | | |
| Indian Synthetic Rubber Private Limited | 17,421 | 24,761 | 26,416 |
| | <u>\$ 18,342</u> | <u>29,189</u> | <u>28,305</u> |

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

| | For the three months ended September 30 | | For the nine months ended September 30 | |
|------------------------------|--|---------------|---|---------------|
| | 2019 | 2018 | 2019 | 2018 |
| Short-term employee benefits | \$ 27,952 | 26,759 | 83,564 | 81,698 |
| Post-employment benefits | 383 | 335 | 1,151 | 957 |
| | <u>\$ 28,335</u> | <u>27,094</u> | <u>84,715</u> | <u>82,655</u> |

(8) Pledged Assets

The carrying values of pledged assets were as follows:

| Pledged assets | Object | September 30, 2019 | December 31, 2018 | September 30, 2018 |
|---|--|-----------------------|----------------------|-----------------------|
| Machinery etc. (recorded property, plant and equipment) | Guarantee for long- term borrowings | <u>\$ 349,856</u> | <u>361,731</u> | <u>-</u> |

(9) Commitments and Contingencies

- (a) As of September 30, 2019, December 31 and September 30, 2018, the Group's unused letters of credit outstanding for purchases of materials were \$1,376,279 thousand, \$2,050,872 thousand and \$1,469,881 thousand, respectively.
- (b) As of September 30, 2019, December 31 and September 30, 2018, the Group's signed construction and design contracts with several factories totaled \$2,168,157 thousand, \$1,717,411 thousand and \$1,525,467 thousand, respectively, of which \$1,499,588 thousand, \$466,392 thousand and \$442,316 thousand, respectively, were paid.

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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 September 30, 2019 | | | Three months ended September 30, 2018 | | |
|----------------------------|--|--------------------|---------|--|--------------------|---------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 257,872 | 172,584 | 430,456 | 241,403 | 160,710 | 402,113 |
| Labor and health insurance | 22,186 | 14,759 | 36,945 | 21,779 | 13,605 | 35,384 |
| Pension | 17,757 | 9,263 | 27,020 | 21,001 | 10,241 | 31,242 |
| Others (note 1) | 37,872 | 20,215 | 58,087 | 37,802 | 18,510 | 56,312 |
| Depreciation (note 2) | 190,992 | 43,318 | 234,310 | 182,120 | 29,292 | 211,412 |
| Amortization | 1,630 | 37,267 | 38,897 | 1,536 | 36,892 | 38,428 |

| By function By nature | Nine months ended September 30, 2019 | | | Nine months ended September 30, 2018 | | |
|----------------------------|---|--------------------|-----------|---|--------------------|-----------|
| | Operating costs | Operating expenses | Total | Operating costs | Operating expenses | Total |
| Employee benefits | | | | | | |
| Salary | 769,819 | 513,012 | 1,282,831 | 712,007 | 472,347 | 1,184,354 |
| Labor and health insurance | 67,312 | 45,027 | 112,339 | 63,508 | 42,046 | 105,554 |
| Pension | 63,129 | 32,478 | 95,607 | 59,295 | 30,203 | 89,498 |
| Others (note 1) | 116,577 | 59,827 | 176,404 | 103,243 | 48,548 | 151,791 |
| Depreciation (note 2) | 610,675 | 129,123 | 739,798 | 555,026 | 87,011 | 642,037 |
| Amortization | 4,776 | 111,578 | 116,354 | 4,490 | 108,903 | 113,393 |

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, \$11,044 thousand and \$11,044 thousand for the three months ended September 30, 2019 and 2018 and the nine months ended September 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.

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Notes to the Consolidated Financial Statements

(13) Other Disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:

Unit: thousand NTD

| No. | Name of lender | Name of borrower | Financial statement account | Related party | Highest balance of financing to other parties during the year | Ending balance | Amount actually drawn | Range of interest rates | Purposes of fund financing for the borrowers (Note 5) | Transaction amount for business between two parties | Reasons for short-term financing | Allowance for bad debt | Collateral | | Financing limit for each borrowing company | Maximum financing limit for the lender |
|-----|---------------------------------|--------------------------------|-----------------------------|---------------|---|----------------|-----------------------|-------------------------|---|---|----------------------------------|------------------------|------------|-------|--|--|
| | | | | | | | | | | | | | Item | Value | | |
| 1 | TSRC (Shanghai) Industries Ltd. | TSRC (Nantong) Industries Ltd. | Loan | Yes | 189,144 | 187,063 | 187,063 | 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 | Endorsements/ guarantees to third parties on behalf of company in Mainland China |
|-----|-----------------|---|-------------------------------|---|---|---|-----------------------|--|---|--|--|--|--|
| | | Name | Relationship with the company | | | | | | | | | | |
| 0 | TSRC | TSRC (USA) Investment Corporation | 4 | (Note 2) | 474,180 | 465,630 | 364,744 | - | 3.07 % | (Note 3) | Y | | |
| 0 | TSRC | ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. | 6 | (Note 2) | 1,557,702 | 772,331 | 369,712 | - | 5.10 % | (Note 3) | | | Y |
| 0 | TSRC | Indian Synthetic Rubber Private Limited | 6 | (Note 2) | 1,503,151 | 1,476,047 | 1,254,872 | - | 9.74 % | (Note 3) | | | |
| 0 | TSRC | TSRC (Vietnam) Co., Ltd. | 4 | (Note 2) | 458,586 | 453,213 | 155,210 | - | 2.99 % | (Note 3) | Y | | |
| 0 | TSRC | Dexco Polymers L.P. | 4 | (Note 2) | 316,120 | 310,420 | 268,067 | - | 2.05 % | (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 \$7,576,112 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$22,728,335 thousand.

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

(iii) Securities held as of September 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 | |
| TSRC | Taiwan High Speed Rail Corporation | - | Financial assets at fair value through other comprehensive income – non-current | 6,751,000 | 238,310 | 0.12 % | 238,310 |
| TSRC | Evergreen Steel Corporation | - | Financial assets at fair value through other comprehensive income – non-current | 12,148,000 | 493,209 | 3.00 % | 493,209 |

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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 | 141,120 | 5.42 % | 141,120 | |
| TSRC | Hsin-Yung Enterprise Corporation | - | Financial assets at fair value through other comprehensive income—non-current | 5,657,000 | 313,285 | 3.90 % | 313,285 | |
| Dymas Corporation | Thai Synthetic Rubbers Co., Ltd. | - | Financial assets at fair value through other comprehensive income—non-current | 837,552 | 196,992 | 7.57 % | 196,992 | |
| | | | | | <u>1,382,916</u> | | <u>1,382,916</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 | 152,053 | 7.60 % | 70 days | - | | (27,427) | (7.89) % | |
| TSRC | TSRC (Lux.) Corporation S.'a.r.l. | Related parties | Sale | (152,053) | (1.86) % | 70 days | - | | 27,427 | 2.09 % | |
| Shen Hua Chemical Industries Co., Ltd. | Marubeni Corporation | A director of Shen Hua Chemical Industries Co., Ltd. | Purchase | 120,439 | 3.01 % | 14 days | - | | - | - % | |
| Polybus Corporation Pte Ltd. | TSRC | Related parties | Purchase | 121,566 | 7.00 % | 70 days | - | | (25,059) | (5.70) % | |
| TSRC | Polybus Corporation Pte Ltd. | Related parties | Sale | (121,566) | (1.49) % | 70 days | - | | 25,059 | 1.91 % | |
| TSRC-UBE (Nantong) Industries Ltd. | Marubeni Corporation | A director of TSRC-UBE (Nantong) Industries Ltd. | Purchase | 111,054 | 7.94 % | 14 days | - | | - | - % | |
| Polybus Corporation Pte Ltd. | TSRC (Nantong) Industries Ltd. | Related parties | Purchase | 205,399 | 65.51 % | 40 days | - | | (19,658) | (69.36) % | |
| TSRC (Nantong) Industries Ltd. | Polybus Corporation Pte Ltd. | Related parties | Sale | (205,399) | (5.98) % | 40 days | - | | 19,658 | 3.56 % | |
| TSRC (Lux.) Corporation S.'a.r.l. | Dexco Polymers L.P. | Related parties | Purchase | 677,350 | 33.85 % | 90 days | - | | (101,196) | (29.11) % | |
| Dexco Polymers L.P. | TSRC (Lux.) Corporation S.'a.r.l. | Related parties | Sale | (677,350) | (21.39) % | 90 days | - | | 101,196 | 23.01 % | |
| TSRC (Lux.) Corporation S.'a.r.l. | TSRC (Nantong) Industries Ltd. | Related parties | Purchase | 1,170,678 | 58.50 % | 70 days | - | | (221,733) | (63.77) % | |
| TSRC (Nantong) Industries Ltd. | TSRC (Lux.) Corporation S.'a.r.l. | Related parties | Sale | (1,170,678) | (34.07) % | 70 days | - | | 221,733 | 40.11 % | |

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 | 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 | 221,733 | 6.43 | - | | 35,432 | - |
| Dexco Polymers L.P. | TSRC (Lux.) Corporation S.'a.r.l. | Related parties | 101,196 | 12.19 | - | | 43,079 | - |

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Notes to the Consolidated Financial Statements

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

Note 2: Until November 12, 2019.

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

(x) Business relationships and significant intercompany transactions:

Unit: thousand NTD

| No. | Name of company | Name of counter-party | Existing relationship with the counter-party | Transaction details | | | |
|-----|-----------------------------------|------------------------------------|--|---------------------------|-----------|---|--|
| | | | | Account name | Amount | Trading terms | Percentage of the total consolidated revenue or total assets |
| 0 | TSRC | TSRC (Nantong) Industries Ltd. | 1 | Sales revenue | 45,201 | The transaction is not significantly different from normal transactions, and the collection terms were about two months | 0.20 % |
| 0 | TSRC | TSRC (Nantong) Industries Ltd. | 1 | Other income and expenses | 39,350 | " | 0.18 % |
| 0 | TSRC | TSRC (Lux.) Corporation S.'a r.l. | 1 | Sales revenue | 152,053 | " | 0.69 % |
| 0 | TSRC | Polybus Corporation Pte Ltd | 1 | Sales revenue | 47,907 | " | 0.22 % |
| 0 | TSRC | Dexco Polymers L.P. | 1 | Sales revenue | 121,566 | " | 0.55 % |
| 0 | TSRC | TSRC (Nantong) Industries Ltd. | 1 | Other income and expenses | 42,551 | 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 | 45,905 | The transaction is not significantly different from normal transactions, and the collection terms were about two months | 0.21 % |
| 1 | TSRC (Nantong) Industries Ltd. | Polybus Corporation Pte Ltd. | 3 | Sales revenue | 205,399 | " | 0.93 % |
| 1 | TSRC (Nantong) Industries Ltd. | TSRC (Lux.) Corporation S.'a r.l. | 3 | Sales revenue | 1,170,678 | " | 5.31 % |
| 1 | TSRC (Nantong) Industries Ltd. | TSRC (Lux.) Corporation S.'a r.l. | 3 | Accounts receivable | 221,733 | " | 0.70 % |
| 1 | TSRC (Nantong) Industries Ltd. | TSRC-UBE (Nantong) Industries Ltd. | 3 | Other income and expenses | 160,687 | " | 0.73 % |
| 2 | Dexco Polymers L.P. | TSRC (Lux.) Corporation S.'a r.l. | 3 | Sales revenue | 677,350 | The transaction is not significantly different from normal transactions, and the collection terms were about three months | 3.07 % |
| 2 | Dexco Polymers L.P. | TSRC (Lux.) Corporation S.'a r.l. | 3 | Accounts receivable | 101,196 | " | 0.32 % |
| 2 | Dexco Polymers L.P. | TSRC | 2 | Other income and expenses | 22,697 | 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 | 40,589 | " | 0.18 % |
| 4 | TSRC (Shanghai) Industries Ltd. | TSRC (Nantong) Industries Ltd. | 3 | Sales revenue | 44,359 | 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 | 187,063 | One year based on the contract of entrusted loans | 0.59 % |

(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 |
| 5 | TSRC-UBE (Nantong) Industries Ltd. | Polybus Corporation Pte Ltd. | 3 | Sales revenue | 46,980 | The transaction is not significantly different from normal transactions, and the collection terms were about two months | 0.21 % |
| 0 | TSRC | TSRC(USA) Investment Corporation | 1 | Note 4 | 465,630 | - | - |
| 0 | TSRC | TSRC (Vietnam) Co., Ltd. | 1 | Note 4 | 453,213 | - | - |
| 0 | TSRC | Dexco Polymers L.P. | 1 | Note 4 | 310,420 | - | - |

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 nine months ended September 30, 2019 (excluding information on investees in Mainland China):

Unit: thousand NT\$/thousand USD/thousand EUR

| Name of investor | Name of investee | Address | Scope of business | Original cost | | Ending balance | | Net income (losses) of investee | Investment income (losses) | Remarks |
|------------------------------------|--|--|--|------------------------|------------------------|----------------|-------------------------|---------------------------------|----------------------------|-----------------------------|
| | | | | September 30, 2019 | December 31, 2018 | Shares | Percentage of ownership | | | |
| TSRC | Trimurti Holding Corporation | Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I. | Investment corporation | 1,005,495 | 1,005,495 | 86,920,000 | 100.00 % | 13,443,810 | 518,918 | 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 % | 918,483 | 65,492 | Subsidiary |
| TSRC | Dymas Corporation | Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I. | Investment corporation | 38,376 | 38,376 | 1,161,004 | 19.48 % | 187,457 | 74,497 | Subsidiary (note 2) |
| TSRC | TSRC (Vietnam) Co., Ltd. | 8 VSIP II-A Street 31, Vietnam Singapore Industrial Park II-A, Tan Uyen Town, Binh Duong Province, Vietnam | Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products | 278,280 | 278,280 | - | 100.00 % | 264,740 | (12,419) | Subsidiary |
| Trimurti Holding Corporation | Polybus Corporation Pte Ltd. | 100 Peck Seah Street #09-16 Singapore 079333 | International commerce and investment corporation | 2,020,865 (USD65,101) | 2,020,865 (USD65,101) | 105,830,000 | 100.00 % | 8,322,940 | 503,456 | Indirectly owned subsidiary |
| Trimurti Holding Corporation | TSRC (Hong Kong) Limited | 15/F Doc Group Life Assurance Tower 136 Des Voeux Road Central | Investment corporation | 2,416,620 (USD77,850) | 2,416,620 (USD77,850) | 77,850,000 | 100.00 % | 3,210,097 | (35,065) | Indirectly owned subsidiary |
| Trimurti Holding Corporation | Indian Synthetic Rubber Private Limited | Room No.702, Indian Oil Bhawan, 1 Sri Aurobindo Marg, Yusuf Sarai, New Delhi 110016, India | Production and sale of synthetic rubber products | 914,901 (USD29,473) | 914,901 (USD29,473) | 222,861,375 | 50.00 % | 390,379 | 100,989 | - |
| 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 | 1,724,376 (EUR50,800) | 1,724,376 (EUR50,800) | 50,800,000 | 100.00 % | 2,621,265 | (91,938) | 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 | 2,174,492 (USD70,050) | 2,174,492 (USD70,050) | 100 | 100.00 % | 2,562,004 | (82,248) | Indirectly owned subsidiary |
| TSRC (USA) Investment Corporation | Dexco Polymers L.P. | 12012 Wickchester Lane, Suite 280, Houston, TX, USA | Production and sale of TPE | 5,979,217 (USD192,617) | 5,979,217 (USD192,617) | - | 100.00 % | 1,509,096 | 56,638 | Indirectly owned subsidiary |
| Hardison International Corporation | Trition International Holdings Corporation | Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I. | Investment corporation | 1,552 (USD50) | 1,552 (USD50) | 50,000 | 100.00 % | 120,025 | 5,564 | Indirectly owned subsidiary |
| Hardison International Corporation | Dymas Corporation | Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I. | Investment corporation | 148,971 (USD4,799) | 148,971 (USD4,799) | 4,798,566 | 80.52 % | 796,164 | 74,497 | Indirectly owned subsidiary |
| Dymas Corporation | Asia Pacific Energy Development Co., Ltd. | Cayman Islands | Consulting for electric power facilities management and electrical system design | 350,309 (USD11,285) | 350,309 (USD11,285) | 7,522,337 | 37.78 % | 391,739 | 162,119 | - |

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NT\$31.042; EUR1 to NT\$33.944).

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

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

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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 September 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 remittance of earnings in current period |
| Shen Hua Chemical Industries Co., Ltd. | Production and sale of synthetic rubber products | 1,279,551 (USD41,220) | (2)a. | - | - | - | - | 97,595 | 65.44 % | 63,866 | 1,752,044 | 4,579,389 |
| Changzhou Asia Pacific Co-generation Co., Ltd. | Power generation and sale of electricity and steam | 717,070 (USD23,100) | (2)c. | 118,953 (USD3,832) | - | - | 118,953 (USD3,832) | 209,594 | 28.34 % | 59,399 | 452,106 | - |
| TSRC (Shanghai) Industries Ltd. | Production and sale of compounding materials | 170,731 (USD5,500) | (2)b. | 121,685 (USD3,920) | - | - | 121,685 (USD3,920) | 59,784 | 100.00 % | 59,784 | 472,299 | - |
| Nantong Qix Storage Co., Ltd. | Storehouse for chemicals | 91,126 (USD3,000) | (2)d. | 46,563 (USD1,500) | - | - | 46,563 (USD1,500) | 32,784 | 50.00 % | 6,382 | 65,672 | - |
| TSRC-UBE (Nantong) Industries Ltd. | Production and sale of synthetic rubber products | 1,241,680 (USD40,000) | (2)a. | 31,042 (USD1,000) | - | - | 31,042 (USD1,000) | 44,633 | 55.00 % | 24,548 | 791,918 | - |
| TSRC (Nantong) Industries Ltd. | Production and sale of TPE | 3,263,290 (USD105,125) | (2)a. | 206,367 (USD6,648) | - | - | 206,367 (USD6,648) | 384,425 | 100.00 % | 384,425 | 4,249,919 | - |
| ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd. | Production and sale of NBR | 1,390,682 (USD44,800) | (2)a. | - | - | - | - | 47,679 | 50.00 % | 23,840 | 233,293 | - |

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 NTD31.042).

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 September 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 | 524,610 (USD16,900) | 5,815,253 (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 NTD31.042).

(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 September 30, 2019 | | | | | |
| Revenue: | | | | | |
| Revenue from external customers | \$ 6,515,070 | 403,296 | - | - | 6,918,366 |
| Income from operations | <u>\$ (22,150)</u> | <u>57,157</u> | <u>29,781</u> | <u>25,865</u> | <u>90,653</u> |
| Three months ended September 30, 2018 | | | | | |
| Revenue: | | | | | |
| Revenue from external customers | \$ 7,088,711 | 446,372 | - | - | 7,535,083 |
| Income from operations | <u>\$ 86,863</u> | <u>94,217</u> | <u>43,871</u> | <u>13,773</u> | <u>238,724</u> |
| Nine months ended September 30, 2019 | | | | | |
| Revenue: | | | | | |
| Revenue from external customers | \$ 20,610,509 | 1,456,822 | - | - | 22,067,331 |
| Income from operations | <u>\$ 597,255</u> | <u>290,876</u> | <u>20,046</u> | <u>89,343</u> | <u>997,520</u> |
| Nine months ended September 30, 2018 | | | | | |
| Revenue: | | | | | |
| Revenue from external customers | \$ 21,579,343 | 1,166,511 | - | - | 22,745,854 |
| Income from operations | <u>\$ 946,045</u> | <u>218,706</u> | <u>40,785</u> | <u>36,780</u> | <u>1,242,316</u> |

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