

**TSRC CORPORATION  
AND SUBSIDIARIES**

**Consolidated Financial Statements**

**With Independent Auditors' Review Report  
For the Three Months Ended March 31, 2020 and 2019**

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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 March 31, 2020 and 2019, and the related consolidated statements of comprehensive income, changes in equity and cash flows for the three months then ended and notes to the consolidated financial statements, including a summary of significant accounting policies. The Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and International Accounting Standard 34, "Interim Financial Reporting" endorsed and issued into effect by the Financial Supervisory Commission of the Republic of China. Our responsibility is to express a conclusion on the consolidated financial statements based on our reviews.

### Scope of Review

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

### Basis for Qualified Conclusion

As stated in Note 4(b), the consolidated financial statements included the financial statements of certain non-significant subsidiaries, which were not reviewed by independent auditors. These financial statements reflect the total assets amounting to \$3,710,254 thousand and \$3,384,236 thousand, constituting 12% and 10% of the consolidated total assets; and the total liabilities amounting to \$1,001,638 thousand and \$738,087 thousand, constituting 7% and 5% of the consolidated total liabilities as of March 31, 2020 and 2019, respectively; as well as the total comprehensive income (loss) amounting to \$(17,243) thousand and \$86,440 thousand, constituting 10% and 13% of the consolidated total comprehensive income (loss) for the three months ended March 31, 2020 and 2019, respectively.

Furthermore, as stated in Note 6(g), the other equity accounted investments of the Group in its investee companies of \$1,032,699 thousand and \$1,163,931 thousand at of March 31, 2020 and 2019, respectively, and its equity in net earning (loss) on these investee companies of \$(15,839) thousand and \$99,687 thousand for the three months ended March 31, 2020 and 2019, 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 TSRC Corporation and its subsidiaries as of March 31, 2020 and 2019, and of its consolidated financial performance and its consolidated cash flows for the three months ended March 31, 2020 and 2019 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.

The engagement partners on the reviews resulting in this independent auditors’ review report are Ming-Hung Huang and Lin Wu.

KPMG

Taipei, Taiwan (Republic of China)  
May 7, 2020

### **Notes to Readers**

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

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

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)  
**Reviewed only, not audited in accordance with the generally accepted auditing standards as of March 31, 2020 and 2019**

**TSRC CORPORATION AND SUBSIDIARIES**

**Consolidated Balance Sheets**

**March 31, 2020, December 31, and March 31, 2019**

(Expressed in Thousands of New Taiwan Dollars)

	March 31, 2020		December 31, 2019		March 31, 2019		March 31, 2020		December 31, 2019		March 31, 2019	
	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
<b>Assets</b>												
<b>Current assets:</b>												
Cash and cash equivalents (note 6(a))	\$ 4,535,146	14	4,695,280	14	4,468,926	14	5,833,899	19	4,729,148	15	4,422,327	14
Financial assets at fair value through profit or loss – current (note 6(b))	7,404	-	14	-	5,117	-	836,375	3	287,235	1	750,000	2
Notes receivable, net (note 6(d))	680,697	2	866,347	3	462,208	2	2,476	-	5,672	-	1	-
Accounts receivable, net (note 6(d))	2,736,676	9	2,759,617	8	3,351,133	10	1,037,878	3	2,392,346	7	1,808,979	5
Other receivables (notes 6(e) and 7)	146,276	-	136,351	-	107,816	-	30,900	-	59,418	-	-	-
Current income tax assets	11,730	-	80	-	20,561	-	145,007	-	121,726	-	122,715	-
Inventories (note 6(f))	5,908,120	19	6,414,679	20	6,180,838	19	943,705	3	1,309,810	4	1,121,481	3
Other current assets	547,860	2	493,550	2	357,362	1	167,608	-	175,942	-	218,523	1
<b>Total current assets</b>	<b>14,573,909</b>	<b>46</b>	<b>15,365,918</b>	<b>47</b>	<b>14,953,961</b>	<b>46</b>	<b>9,196,894</b>	<b>29</b>	<b>9,300,535</b>	<b>28</b>	<b>8,606,157</b>	<b>26</b>
<b>Non-current assets:</b>												
Non-current financial assets at fair value through other comprehensive income (note 6(c))	916,887	4	1,137,888	4	1,446,561	4	3,885,066	12	4,672,705	15	3,781,211	12
Investments accounted for under equity method (notes 6(g) and 7)	1,032,699	3	1,098,591	3	1,163,931	4	349,721	1	349,287	1	499,661	2
Property, plant and equipment (notes 6(h), 8 and 9)	10,069,372	32	10,037,395	31	9,315,400	29	16,221	-	19,227	-	24,020	-
Right-of-use assets (note 6(i))	1,250,651	4	1,331,571	4	1,620,522	5	909,400	3	855,481	3	739,594	2
Investment property (note 6(j))	1,577,917	5	1,581,599	5	1,592,642	5	693,456	2	685,689	2	902,397	3
Intangible assets (note 6(k))	1,671,034	5	1,669,885	5	1,821,849	6	124,186	-	179,276	1	144,535	-
Deferred income tax assets	280,786	1	220,439	1	246,507	1	5,978,050	18	6,761,665	22	6,091,418	19
Other non-current assets (note 8)	89,000	-	71,637	-	100,141	-	15,174,944	47	16,062,200	50	14,697,575	45
<b>Total non-current assets</b>	<b>16,888,346</b>	<b>54</b>	<b>17,149,005</b>	<b>53</b>	<b>17,307,553</b>	<b>54</b>	<b>8,257,099</b>	<b>26</b>	<b>8,257,099</b>	<b>25</b>	<b>8,257,099</b>	<b>26</b>
<b>Total assets</b>	<b>\$ 31,462,255</b>	<b>100</b>	<b>\$ 32,514,923</b>	<b>100</b>	<b>\$ 32,261,514</b>	<b>100</b>	<b>\$ 31,462,255</b>	<b>100</b>	<b>\$ 32,514,923</b>	<b>100</b>	<b>\$ 32,261,514</b>	<b>100</b>
<b>Liabilities and Equity</b>												
<b>Current liabilities:</b>												
Short-term borrowings (note 6(l))												
Current portion of long-term borrowings (notes 6(l) and 8)												
Financial liabilities at fair value through profit or loss – current (note 6(b))												
Accounts payable												
Accounts payable – related parties (note 7)												
Current income tax liabilities												
Other payables (notes 6(m), 6(s) and 7)												
Current lease liabilities (note 6(n))												
Other current liabilities												
<b>Total current liabilities</b>												
<b>Non-current liabilities:</b>												
Long-term bank borrowings (notes 6(l) and 8)												
Other long-term borrowings (note 6(l))												
Provision liabilities – non-current (note 7)												
Deferred income tax liabilities												
Non-current lease liabilities (note 6(n))												
Other non-current liabilities												
<b>Total non-current liabilities</b>												
<b>Total liabilities</b>												
<b>Equity attributable to shareholders of the Company (note 6(g)):</b>												
Common stock	3100											
Capital surplus	3200											
Retained earnings:												
Legal reserve	3310											
Unappropriated earnings	3350											
Other equity:												
Financial statement translation differences for foreign operations	3410											
Unrealized gain on financial assets measured at fair value through other comprehensive income	3420											
Gains (losses) on hedging instrument	3450											
<b>Total equity attributable to shareholders of the Company</b>												
<b>Non-controlling interests</b>	36xx											
<b>Total liabilities and equity</b>												
<b>Total assets</b>	<b>\$ 31,462,255</b>	<b>100</b>	<b>\$ 32,514,923</b>	<b>100</b>	<b>\$ 32,261,514</b>	<b>100</b>	<b>\$ 31,462,255</b>	<b>100</b>	<b>\$ 32,514,923</b>	<b>100</b>	<b>\$ 32,261,514</b>	<b>100</b>

See accompanying notes to consolidated financial statements.

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

**TSRC CORPORATION AND SUBSIDIARIES**

**Consolidated Statements of Comprehensive Income**

**For the three months ended March 31, 2020 and 2019**

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

		For the three months ended March 31			
		2020		2019	
		Amount	%	Amount	%
4000	Revenue (notes 6(t) and 7)	\$ 6,493,846	100	7,560,995	100
5000	Operating costs (notes 6(f), 6(h), 6(i), 6(m), 6(n), 6(o), 6(s) and 7)	5,732,699	88	6,690,911	88
5910	Gross profit	761,147	12	870,084	12
6000	Operating expenses (notes 6(d), 6(h), 6(i), 6(n), 6(o), 6(s) and 7):				
6100	Selling expenses	238,848	4	246,034	3
6200	General and administrative expenses	267,949	4	268,986	4
6300	Research and development expenses	93,440	1	90,254	1
6450	Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	1,435	-	(971)	-
	Total operating expenses	601,672	9	604,303	8
6500	Other income and expenses, net (notes 6(u) and 7)	42,238	-	51,566	-
6900	Operating profit	201,713	3	317,347	4
	Non-operating income and expenses (notes 6(g), 6(n), 6(v) and 7):				
7010	Other income	16,154	-	24,115	-
7020	Other gains and losses	6,649	-	12,055	-
7050	Finance costs	(40,301)	(1)	(51,532)	-
7370	Share of gain (loss) of associates and joint ventures accounted for under equity method	(15,839)	-	99,687	1
	Total non-operating income and expenses	(33,337)	(1)	84,325	1
7900	Net income before tax	168,376	2	401,672	5
7950	Less: Tax expenses (note 6(p))	73,774	1	97,087	1
	Net income	94,602	1	304,585	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	(106,961)	(2)	146,579	2
8349	Income tax related to components of other comprehensive income that will not be reclassified to profit or loss	-	-	-	-
	Components of other comprehensive income that will not be reclassified to profit or loss	(106,961)	(2)	146,579	2
8360	Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361	Exchange differences on translation of foreign financial statements	(99,251)	(2)	232,924	3
8370	Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	(53,802)	-	(1,990)	-
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	(153,053)	(2)	230,934	3
8300	Other comprehensive income	(260,014)	(4)	377,513	5
	Total comprehensive income	\$ (165,412)	(3)	682,098	9
	Net income attributable to:				
8610	Shareholders of parent	\$ 59,340	1	283,995	4
8620	Non-controlling interests	35,262	-	20,590	-
	Total comprehensive income attributable to:	\$ 94,602	1	304,585	4
8710	Shareholders of parent	\$ (176,907)	(3)	624,009	8
8720	Non-controlling interests	11,495	-	58,089	1
		\$ (165,412)	(3)	682,098	9
9710	Basic earnings per share (Diluted earnings per share) (New Taiwan Dollars) (note 6(r))	\$ 0.07		0.34	

See accompanying notes to consolidated financial statements.

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 three months ended March 31, 2020 and 2019**

(Expressed in Thousands of New Taiwan Dollars)

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>		
Consolidated net income before tax	\$ 168,376	401,672
<b>Adjustments:</b>		
Adjustments to reconcile profit and loss:		
Depreciation	254,373	253,368
Amortization	38,628	38,618
Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	1,435	(971)
Interest expense	40,301	51,532
Interest income	(16,154)	(24,115)
Share of loss (profit) of associates and joint ventures accounted for under equity method	15,839	(99,687)
Loss on disposal of property, plant and equipment	8,414	250
Amortization to operating costs and inventories / Amortization of long-term prepaid rent	23,924	21,603
Total adjustments to reconcile profit and loss	366,760	240,598
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	(7,390)	(4,438)
Notes receivable	185,650	96,736
Accounts receivable	21,506	(476,269)
Other receivables	(26,018)	(15,771)
Inventories	506,559	268,525
Other current assets	(54,310)	(31,319)
Total changes in operating assets, net	625,997	(162,536)
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	(3,196)	(2,065)
Accounts payable	(1,354,468)	294,457
Accounts payable—related parties	(28,518)	-
Other payables	(332,265)	(187,036)
Other current liabilities	(20,192)	(25,431)
Net defined benefit liability	(57,075)	(51,199)
Other non-current liabilities	1,985	(8,241)
Total changes in operating liabilities, net	(1,793,729)	20,485
Total changes in operating assets and liabilities, net	(1,167,732)	(142,051)
Total adjustments	(800,972)	98,547
Cash provided by (used in) operating activities	(632,596)	500,219
Interest income received	11,166	23,465
Interest paid	(38,841)	(48,687)
Income taxes paid	(68,571)	(64,605)
<b>Net cash provided by (used in) operating activities</b>	<b>(728,842)</b>	<b>410,392</b>
<b>Cash flows from investing activities:</b>		
Proceeds from disposal of financial assets at fair value through other comprehensive income	135,404	-
Acquisition of property, plant and equipment	(327,331)	(756,320)
Proceeds from disposal of property, plant and equipment	55	90
Acquisition of intangible assets	(25,450)	-
Decrease (increase) in other non-current assets	(13,085)	22,109
<b>Net cash used in investing activities</b>	<b>(230,407)</b>	<b>(734,121)</b>
<b>Cash flows from financing activities:</b>		
Increase in short-term borrowings	9,110,077	4,788,737
Decrease in short-term borrowings	(7,994,469)	(4,401,921)
Proceeds from long-term borrowings	134,257	74,137
Repayments of long-term borrowings	(368,419)	(113,865)
Payment of lease liabilities	(44,537)	(54,146)
Cash dividends paid	(145)	(139)
<b>Net cash provided by financing activities</b>	<b>836,764</b>	<b>292,803</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(37,649)</b>	<b>(27,900)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(160,134)</b>	<b>(58,826)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>4,695,280</b>	<b>4,527,752</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 4,535,146</b>	<b>4,468,926</b>

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 three months ended March 31, 2020 and 2019**

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

#### **(1) Company history**

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) Approval date and procedures of the consolidated financial statements**

The consolidated financial statements were authorized for issue by the Board of Directors and issued on May 7, 2020.

#### **(3) New standards, amendments and interpretations adopted:**

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning on or after January 1, 2020.

<b>New, Revised or Amended Standards and Interpretations</b>	<b>Effective date per IASB</b>
Amendments to IFRS 3 "Definition of a Business"	January 1, 2020
Amendments to IFRS 9, IAS39 and IFRS7 "Interest Rate Benchmark Reform"	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.

(Continued)

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

- (b) The impact of IFRS issued by IASB but not yet endorsed by the FSC

As of the date, the following IFRSs that have been issued by the International Accounting Standards Board (IASB), but have yet to be endorsed by the FSC:

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 10 and IAS 28 "Sale or Contribution of Assets Between an Investor and Its Associate or Joint Venture"	Effective date to be determined by IASB
IFRS 17 "Insurance Contracts"	January 1, 2021
Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"	January 1, 2022

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

**(4) Summary of 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, 2019. For the related information, please refer to note 4 to the consolidated financial statements for the year ended December 31, 2019.

- (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, 2019. For the related information, please refer to note 4(c) to the consolidated financial statements for the year ended December 31, 2019.

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>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>	
TSRC	Trimurti Holding Corporation	Investment	100.00 %	100.00 %	100.00 %	
TSRC	Hardison International Corporation	Investment	100.00 %	100.00 %	100.00 %	(note 3)

(Continued)

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

Name of investor	Name of investee	Scope of business	Percentage of ownership			Description
			March 31, 2020	December 31, 2019	March 31, 2019	
TSRC & Hardison International Corporation	Dymas Corporation	Investment	100.00 %	100.00 %	100.00 %	(notes 1, 3)
TSRC	TSRC (Vietnam) Co., Ltd.	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products	100.00 %	100.00 %	100.00 %	(note 3)
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 3)
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 3)
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 3)

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

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

Note 3: It is an insignificant subsidiary, and its financial statement have not been reviewed.

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

(c) Employee benefits

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

(d) Income tax

Income tax expense for the period 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 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) Significant accounting assumptions and judgments, and major 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, 2019. For the related information, please refer to note 5 to the consolidated financial statements for the year ended December 31, 2019.

**(6) Explanation 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, 2019, and the related information is provided in note 6 to the consolidated financial statements for the year ended December 31, 2019.

(a) Cash and cash equivalents

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Cash on hand	\$ 428	415	448
Checking and savings deposits	1,734,963	973,695	1,473,625
Time deposits	2,799,755	3,571,170	2,920,853
Commercial paper with reverse repurchase agreements	-	150,000	74,000
Cash and cash equivalents per statements of cash flow	<u><u>\$ 4,535,146</u></u>	<u><u>4,695,280</u></u>	<u><u>4,468,926</u></u>

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

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Mandatorily measured at fair value through profit or loss:			
Derivative instruments not used for hedging			
Forward contracts/Swap contracts	\$ <u>7,404</u>	<u>14</u>	<u>5,117</u>
	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Financial liabilities held for trading:			
Derivative instruments not used for hedging			
Forward contracts/Swap contracts	\$ <u>2,476</u>	<u>5,672</u>	<u>1</u>

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:

	<u>March 31, 2020</u>		
	<u>Contract amount (thousand)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward contracts	\$ 200	EUR/TWD	2020.04.17
Swap contracts	12,800	USD/TWD	2020.04.23~2020.05.26
Swap contracts	12,100	USD/EUR	2020.05.06~2020.06.09
Swap contracts	1,670	TWD/USD	2020.04.10
	<u>December 31, 2019</u>		
	<u>Contract amount (thousand)</u>	<u>Currency</u>	<u>Maturity dates</u>
Forward contracts	\$ 230	EUR/TWD	2020.01.20
Swap contracts	6,700	USD/TWD	2020.01.02
Swap contracts	13,600	USD/EUR	2020.01.08

(Continued)

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

	<b>March 31, 2019</b>		
	<b>Contract amount (thousand)</b>	<b>Currency</b>	<b>Maturity dates</b>
Forward contracts	\$ 360	USD/EUR	2019.04.10
Swap contracts	15,320	USD/EUR	2019.04.09~2019.05.15

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Equity investments at fair value through other comprehensive income:			
Listed stocks (domestic)	\$ -	115,200	360,036
Unlisted stocks (domestic and overseas)	916,887	1,022,688	1,086,525
Total	<u>\$ 916,887</u>	<u>1,137,888</u>	<u>1,446,561</u>

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

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

Due to the financial asset activation, the Group sold the share of Taiwan High Speed Railway Co., Ltd. at the fair value for the three months ended March 31, 2020, the fair value at that time of disposal was \$114,323 thousand and accumulated gain on disposal was \$84,323 thousand, which has been transferred from other equity to retained earnings.

- (ii) For 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:

	<b>Foreign currency amount</b>	<b>Exchange rate</b>	<b>NTD</b>
<b>March 31, 2020</b>			
THB	\$ 380,183	0.9270	352,430
<b>December 31, 2019</b>			
THB	349,209	1.0098	352,631
<b>March 31, 2019</b>			
THB	361,159	0.9740	351,769

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

(d) Notes and accounts receivable

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Notes receivable	\$ 680,697	866,347	462,208
Accounts receivable	2,747,029	2,768,552	3,360,507
Less: allowance for impairment	10,353	8,935	9,374
	<b><u>\$ 3,417,373</u></b>	<b><u>3,625,964</u></b>	<b><u>3,813,341</u></b>

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 was determined as follows:

<b>March 31, 2020</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 3,334,023	0.01%~0.65%	4,555
1 to 30 days past due	88,127	0.33%~6.16%	3,869
31 to 90 days past due	4,077	9.17%~20.68%	430
More than 90 days past due	1,499	100%	1,499
	<b><u>\$ 3,427,726</u></b>		<b><u>10,353</u></b>
<b>December 31, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 3,560,459	0.13%~0.35%	5,078
1 to 30 days past due	56,937	1.03%~10.25%	1,778
31 to 90 days past due	17,503	10.98%~21.95%	2,079
	<b><u>\$ 3,634,899</u></b>		<b><u>8,935</u></b>
<b>March 31, 2019</b>			
	<b>Gross carrying amount</b>	<b>Weighted-average expected credit loss rate</b>	<b>Loss allowance provision</b>
Current	\$ 3,776,111	0.13%~0.35%	6,487
1 to 30 days past due	38,071	1.03%~10.25%	1,945
31 to 90 days past due	8,533	10.98%~21.95%	942
	<b><u>\$ 3,822,715</u></b>		<b><u>9,374</u></b>

(Continued)

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

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

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Balance on January 1, 2020 and 2019	\$ 8,935	10,309
Impairment losses recognized (reversed)	1,435	(971)
Foreign exchange gain (loss)	(17)	36
Balance on March 31, 2020 and 2019	<u><u>\$ 10,353</u></u>	<u><u>9,374</u></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)

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Other receivables — related parties	\$ 44,711	42,490	53,289
Other	101,565	93,861	54,527
	<u><u>\$ 146,276</u></u>	<u><u>136,351</u></u>	<u><u>107,816</u></u>

As of March 31, 2020, December 31 and March 31, 2019, 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:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Raw materials	\$ 1,551,872	2,188,339	1,764,742
Supplies	104,116	108,038	110,187
Work in progress	296,172	315,411	326,107
Finished goods	3,405,305	3,199,202	3,377,195
Merchandise	550,655	603,689	602,607
Total	<u><u>\$ 5,908,120</u></u>	<u><u>6,414,679</u></u>	<u><u>6,180,838</u></u>

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

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

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

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Loss on (reversal of) decline in market value of inventory	\$ 48,464	(9,049)
Income from sale of scrap	(4,434)	(12,303)
Loss on physical count	3,299	-
Unallocated production overhead	112,330	14,055
Total	<u>\$ 159,659</u>	<u>(7,297)</u>

(g) Investments accounted for under equity method

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Associates	\$ 624,053	635,619	684,468
Joint ventures	408,646	462,972	479,463
	<u>\$ 1,032,699</u>	<u>1,098,591</u>	<u>1,163,931</u>

(i) Associates

For the three months ended March 31, 2020 and 2019, the Group recognized its share of gain (loss) from the associates of \$(11,100) thousand and \$33,356 thousand, respectively.

The details of the significant associates are as follows:

<b>Name of associates</b>	<b>Existing relationship with the Group</b>	<b>The main operating place / register country</b>	<b>Proportion of equity and voting right</b>		
			<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
ARLANXEO-TSRC (Nantong) Chemicals Industries Co., Ltd.	Strategic alliance of production and sales of NBR	China	50.00 %	50.00 %	50.00 %

(Continued)

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

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

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Current assets	\$ 402,138	474,992	598,770
Non-current assets	722,316	749,274	849,054
Current liabilities	(676,477)	(738,296)	(958,690)
Non-current liabilities	(28,601)	(31,907)	(14,471)
Equity	<u>\$ 419,376</u>	<u>454,063</u>	<u>474,663</u>
Equity attributable to the Group	<u>\$ 209,688</u>	<u>227,031</u>	<u>237,331</u>

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue	\$ 291,797	506,463
Net income of continued operations	(28,349)	33,446
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ (28,349)</u>	<u>33,446</u>
Total comprehensive income attributable to the Group	<u>\$ (14,174)</u>	<u>16,723</u>

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning equity of the associate attributable to the Group	\$ 231,111	219,835
Current total comprehensive income (loss) of the associate attributable to the Group	(14,174)	16,723
Other	(4,487)	3,859
Ending balance of the equity of the associate attributable to the Group	<u>\$ 212,450</u>	<u>240,417</u>

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Balance of not significant associate's equity	<u>\$ 411,603</u>	<u>404,508</u>	<u>444,051</u>

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

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Attributable to the Group:		
Income from continued operations	\$ 3,074	16,633
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ 3,074</u>	<u>16,633</u>

(ii) Joint ventures

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Current assets	\$ 1,609,665	1,515,686	2,440,880
Non-current assets	3,098,830	3,445,188	3,751,349
Current liabilities	(2,613,643)	(1,986,515)	(2,690,304)
Non-current liabilities	(1,297,047)	(2,079,302)	(2,609,636)
Equity	<u>\$ 797,805</u>	<u>895,057</u>	<u>892,289</u>
Equity attributable to the Group	<u>\$ 398,902</u>	<u>447,528</u>	<u>446,144</u>

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Revenue	<u>\$ 1,125,667</u>	<u>1,221,584</u>
Net income (loss) of continued operations	\$ (3,544)	127,011
Other comprehensive income (loss)	(50,011)	(61,961)
Total comprehensive income (loss)	<u>\$ (53,555)</u>	<u>65,050</u>
Total comprehensive income attributable to the Group	<u>\$ (26,778)</u>	<u>32,525</u>

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Beginning equity of the joint venture attributable to the Group	\$ 396,539	363,141
Current total comprehensive income (loss) of the joint venture attributable to the Group	(26,778)	32,525
Other	(23,638)	3,386
Ending balance of the equity of the joint venture attributable to the Group	<u>\$ 346,123</u>	<u>399,052</u>

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

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Balance of not significant joint venture's equity	<u><u>\$ 62,523</u></u>	<u><u>66,433</u></u>	<u><u>80,411</u></u>
	<b>For the three months ended March 31</b>		
	<b>2020</b>	<b>2019</b>	
Attributable to the Group:			
Income from continued operations	\$ (2,967)	2,825	
Other comprehensive income (loss)	-	-	
Total comprehensive income (loss)	<u><u>\$ (2,967)</u></u>	<u><u>2,825</u></u>	

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

Aforementioned other equity accounted investments of the Group in its investee companies, and its equity in net earning (loss) on these investee companies were recognized solely on the financial statements prepared by these investee companies, but not reviewed by independent auditors.

(h) Property, plant and equipment

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

	<b>Land</b>	<b>Land improvements</b>	<b>Buildings</b>	<b>Machinery</b>	<b>Furniture and fixtures and other equipment</b>	<b>Leased assets</b>	<b>Construction in progress</b>	<b>Total</b>
Cost:								
Balance at January 1, 2020	\$ 614,101	143,699	4,051,022	20,332,811	244,989	-	2,844,971	28,231,593
Additions	-	-	-	93	-	-	361,981	362,074
Disposals	-	-	(62)	(83,066)	(1,188)	-	-	(84,316)
Reclassification	-	-	15,805	151,248	9,593	-	(188,603)	(11,957)
Effect on changes in exchange rates	-	289	(37,893)	(88,523)	(903)	-	(32,307)	(159,337)
Balance at March 31, 2020	<u><u>\$ 614,101</u></u>	<u><u>143,988</u></u>	<u><u>4,028,872</u></u>	<u><u>20,312,563</u></u>	<u><u>252,491</u></u>	<u><u>-</u></u>	<u><u>2,986,042</u></u>	<u><u>28,338,057</u></u>
Balance at January 1, 2019	\$ 614,101	106,999	3,998,164	20,282,127	228,273	94,596	1,210,859	26,535,119
Additions	-	-	-	5,157	-	-	729,065	734,222
Disposals	-	-	-	(10,337)	(1,244)	-	-	(11,581)
Reclassification	-	1,275	-	106,575	941	(94,596)	(116,215)	(102,020)
Effect on changes in exchange rates	-	70	62,420	184,626	2,126	-	21,880	271,122
Balance at March 31, 2019	<u><u>\$ 614,101</u></u>	<u><u>108,344</u></u>	<u><u>4,060,584</u></u>	<u><u>20,568,148</u></u>	<u><u>230,096</u></u>	<u><u>-</u></u>	<u><u>1,845,589</u></u>	<u><u>27,426,862</u></u>

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

	Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Construction in progress	Total
Depreciation and impairment loss:								
Balance at January 1, 2020	\$ -	90,293	2,314,620	15,614,341	174,944	-	-	18,194,198
Depreciation	-	1,275	33,658	182,440	4,453	-	-	221,826
Disposal	-	-	(48)	(74,730)	(1,069)	-	-	(75,847)
Effect on changes in exchange rates	-	113	(19,942)	(51,083)	(580)	-	-	(71,492)
Balance at March 31, 2020	\$ -	<u>91,681</u>	<u>2,328,288</u>	<u>15,670,968</u>	<u>177,748</u>	-	-	<u>18,268,685</u>
Balance at January 1, 2019	\$ -	88,237	2,236,682	15,270,710	170,641	-	-	17,766,270
Depreciation	-	617	32,667	180,723	3,193	-	-	217,200
Disposal	-	-	-	(10,120)	(1,120)	-	-	(11,240)
Effect on changes in exchange rates	-	68	29,070	108,559	1,535	-	-	139,232
Balance at March 31, 2019	\$ -	<u>88,922</u>	<u>2,298,419</u>	<u>15,549,872</u>	<u>174,249</u>	-	-	<u>18,111,462</u>
Carrying value:								
January 1, 2020	\$ <u>614,101</u>	<u>53,406</u>	<u>1,736,402</u>	<u>4,718,470</u>	<u>70,045</u>	-	<u>2,844,971</u>	<u>10,037,395</u>
March 31, 2020	\$ <u>614,101</u>	<u>52,307</u>	<u>1,700,584</u>	<u>4,641,595</u>	<u>74,743</u>	-	<u>2,986,042</u>	<u>10,069,372</u>
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>
March 31, 2019	\$ <u>614,101</u>	<u>19,422</u>	<u>1,762,165</u>	<u>5,018,276</u>	<u>55,847</u>	-	<u>1,845,589</u>	<u>9,315,400</u>

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

(i) Right-of-use assets

The Group leases its assets including 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, 2020	\$ 663,708	383,925	471,843	34,216	1,553,692
Additions	-	23,726	56,809	-	80,535
Lease modification	-	(4,668)	-	(2,545)	(7,213)
Reclassify to construction in progress	(94,596)	-	-	-	(94,596)
Amortization to operating costs and inventories	-	(2,113)	(21,811)	-	(23,924)
Effect on changes in foreign exchange rates	(6,324)	(169)	(6,043)	16	(12,520)
Balance at March 31, 2020	\$ <u>562,788</u>	<u>400,701</u>	<u>500,798</u>	<u>31,687</u>	<u>1,495,974</u>
Balance at January 1, 2019	\$ 681,888	508,012	565,489	29,829	1,785,218
Amortization to operating costs and inventories	-	(8,852)	(12,751)	-	(21,603)
Effect on changes in exchange rates	11,763	694	75	79	12,611
Balance at March 31, 2019	\$ <u>693,651</u>	<u>499,854</u>	<u>552,813</u>	<u>29,908</u>	<u>1,776,226</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2020	\$ 130,190	68,316	14,551	9,064	222,121
Depreciation	3,486	19,303	3,643	2,433	28,865
Lease modification	-	(3,124)	-	(516)	(3,640)
Effect on changes in exchange rates	(1,859)	(271)	84	23	(2,023)
Balance at March 31, 2020	\$ <u>131,817</u>	<u>84,224</u>	<u>18,278</u>	<u>11,004</u>	<u>245,323</u>
Balance at January 1, 2019	\$ 120,302	-	-	-	120,302
Depreciation	3,159	23,426	3,739	2,162	32,486
Effect on changes in exchange rates	2,879	16	15	6	2,916
Balance at March 31, 2019	\$ <u>126,340</u>	<u>23,442</u>	<u>3,754</u>	<u>2,168</u>	<u>155,704</u>
Carrying value:					
January 1, 2020	\$ <u>533,518</u>	<u>315,609</u>	<u>457,292</u>	<u>25,152</u>	<u>1,331,571</u>
March 31, 2020	\$ <u>430,971</u>	<u>316,477</u>	<u>482,520</u>	<u>20,683</u>	<u>1,250,651</u>
January 1, 2019	\$ <u>561,586</u>	<u>508,012</u>	<u>565,489</u>	<u>29,829</u>	<u>1,664,916</u>
March 31, 2019	\$ <u>567,311</u>	<u>476,412</u>	<u>549,059</u>	<u>27,740</u>	<u>1,620,522</u>

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

(j) Investment property

	<u><b>Owned property</b></u> <u><b>Buildings</b></u>
Carrying value:	
January 1, 2020	\$ <u>1,581,599</u>
March 31, 2020	\$ <u>1,577,917</u>
January 1, 2019	\$ <u>1,596,324</u>
March 31, 2019	\$ <u>1,592,642</u>

There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's investment properties for the three months ended March 31, 2020 and 2019. The related information is provided in note 6(j) to the consolidated financial statements for the year ended December 31, 2019.

The fair value of the Group's investment properties does not significantly differ from the information disclosed in note 6(j) to the consolidated financial statements for the year ended December 31, 2019.

(k) Intangible assets

	<u><b>Industrial technology and know- how</b></u>	<u><b>Computer software</b></u>	<u><b>Goodwill</b></u>	<u><b>Patent and trademark</b></u>	<u><b>Customer relationship</b></u>	<u><b>Total</b></u>
Carrying value:						
January 1, 2020	\$ <u>503,264</u>	<u>12,087</u>	<u>206,793</u>	<u>392,308</u>	<u>555,433</u>	<u>1,669,885</u>
March 31, 2020	\$ <u>517,944</u>	<u>13,903</u>	<u>207,810</u>	<u>388,299</u>	<u>543,078</u>	<u>1,671,034</u>
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>
March 31, 2019	\$ <u>551,874</u>	<u>23,612</u>	<u>211,732</u>	<u>419,824</u>	<u>614,807</u>	<u>1,821,849</u>

There were no significant additions to, disposals of, or provision (reversal) of impairment of, the Group's intangible assets for the three months ended March 31, 2020 and 2019. The amortization of intangible assets of the Group is provided in note 12(a), and the related information is provided in note 6(k) to the consolidated financial statements for the year ended December 31, 2019.

(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 bank borrowings

	<u><b>March 31, 2020</b></u>		
	<u><b>Range of interest rates (%)</b></u>	<u><b>Year of maturity</b></u>	<u><b>Amount</b></u>
Unsecured loans	0.21~4.57	2020	\$ <u>5,833,899</u>
	<u><b>December 31, 2019</b></u>		
	<u><b>Range of interest rates (%)</b></u>	<u><b>Year of maturity</b></u>	<u><b>Amount</b></u>
Unsecured loans	0.40~5.22	2020	\$ <u>4,729,148</u>

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**TSRC CORPORATION AND SUBSIDIARIES**  
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	<b>March 31, 2019</b>		
	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Unsecured loans	0.55~5.22	2019	<u>\$ 4,422,327</u>

As of March 31, 2020, December 31 and March 31, 2019, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to \$16,867,039 thousand, \$16,600,631 thousand and \$17,157,194 thousand, respectively.

(ii) Long-term borrowings

1) Long-term bank borrowings

	<b>March 31, 2020</b>		
	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	2.94~4.38	2021~2023	\$ 626,285
Unsecured loans	1.03~5.08	2020~2023	<u>4,095,156</u>
Total			<u>\$ 4,721,441</u>
Current			\$ 836,375
Non-current			<u>3,885,066</u>
Total			<u>\$ 4,721,441</u>

	<b>December 31, 2019</b>		
	<b>Range of interest rates (%)</b>	<b>Year of maturity</b>	<b>Amount</b>
Secured loans	3.26~4.38	2020~2023	\$ 991,113
Unsecured loans	1.12~5.08	2020~2023	<u>3,968,827</u>
Total			<u>\$ 4,959,940</u>
Current			\$ 287,235
Non-current			<u>4,672,705</u>
Total			<u>\$ 4,959,940</u>

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

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**TSRC CORPORATION AND SUBSIDIARIES**  
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For the three months ended March 31, 2020 and 2019, the Group repaid the amounts of \$368,419 thousand and \$113,865 thousand, respectively, for its long-term borrowings, wherein the proceeds amounting to \$134,257 thousand and \$74,137 thousand bore the interest rates of 2.43% and 5.08%, as well as maturities ranging from September 2022 and May 2020 to November 2022, respectively. Please refer to note 6(m) of the consolidated financial statements for year ended December 31, 2019 for related information.

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Long-term commercial paper payable	\$ 350,000	350,000	500,000
Less: discount on long-term commercial paper payable	279	713	339
Total	<u><u>\$ 349,721</u></u>	<u><u>349,287</u></u>	<u><u>499,661</u></u>

The Group entered into a loan agreement concerning the issuance of commercial paper with a financial institution in February 2018. Based on the contract, the Group is allowed to issue the commercial paper circularly, with a guarantee from the bank, for 30 days to one year within a period of five years. The credit facility amounted to \$500,000 thousand, with the renewal amount that should not be less than 70%. The interest rate of the Group's long-term commercial paper payable as of March 31, 2020, December 31 and March 31, 2019 was 1.2113%, 1.3270% and 1.3763%, respectively.

(m) Current provisions (recorded as other payable)

	<b>Provision for defective products</b>
Balance at January 1, 2020	\$ 18,017
Increase in provisions	4,694
Reversal of unused provisions	(7,939)
Effect on changes in exchange rates	(124)
Balance at March 31, 2020	<u><u>\$ 14,648</u></u>
Balance at January 1, 2019	\$ 27,128
Increase in provisions	6,815
Provisions used	(33)
Reversal of unused provisions	(8,399)
Effect on changes in exchange rates	410
Balance at March 31, 2019	<u><u>\$ 25,921</u></u>

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**TSRC CORPORATION AND SUBSIDIARIES**  
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(n) Lease liabilities

The Group's lease liabilities were as follow:

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Current	\$ <u>167,608</u>	<u>175,942</u>	<u>218,523</u>
Non-current	\$ <u>693,456</u>	<u>685,689</u>	<u>902,397</u>

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

The amounts recognized in profit or loss were as follows:

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Interest on lease liabilities	\$ <u>2,157</u>	<u>2,795</u>
Expenses relating to short-term leases	\$ <u>582</u>	<u>773</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	\$ <u>4,296</u>	<u>4,235</u>

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

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Total cash outflow for leases	\$ <u>51,572</u>	<u>61,949</u>

(o) Employee benefits

(i) Defined benefit plans

The Group allocated the pension fund in accordance with the "Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund", and contributed \$57,226 thousand and \$51,960 thousand to the Bank of Taiwan labor pension reserve account in March 2020 and March 2019, respectively. 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, 2019 and 2018 .

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

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	\$ 1,009	1,153
Operating expenses	<u>673</u>	<u>735</u>
	\$ <u>1,682</u>	<u>1,888</u>

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

(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:

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Operating costs	9,405	23,740
Operating expenses	7,380	12,019
	<b>16,785</b>	<b>35,759</b>

(p) Income tax

The components of income tax expense were as follows:

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Current income tax expense		
Current period	\$ 78,673	55,363
Adjustment for prior periods	1,529	-
	<b>80,202</b>	<b>55,363</b>
Deferred tax expense		
Origination and reversal of temporary differences	(6,428)	41,724
Income tax expenses of continued operations	<b>\$ 73,774</b>	<b>97,087</b>

Except the income tax return for the year ended December 31, 2017, the Company's income tax returns for all years through 2018 have been assessed by the Tax Authority.

(q) Capital and other equity

Except as explained in the following paragraphs, there were no significant changes in the capital and other equity during the three months ended March 31, 2020 and 2019. Please refer to note 6(s) to the consolidated financial statements for the year ended December 31, 2019 for the related information.

(i) Retained earnings — earnings distribution

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

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

On March 17, 2020, the Company's Board of Directors resolved to appropriate the 2019 earnings. On June 6, 2019, the shareholders' meeting resolved to distribute the 2018 earnings. These earnings were appropriated as follows:

2019

2018

Dividends distributed to common shareholders:		
Cash	\$ <u><b>412,855</b></u>	<u><b>809,195</b></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, 2020	\$ 23,383	711,094
Foreign exchange differences arising from foreign operations	(75,484)	-
Exchange differences on translation financial statements from investments accounted for using equity method	(32,446)	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	(106,961)
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(84,323)
Share of cash flow hedges of associates and joint ventures accounted for under equity method	-	-
	(21,356)	(21,356)
Balance as of March 31, 2020	<u><b>\$ (84,547)</b></u>	<u><b>519,810</b></u>
Balance as of January 1, 2019	\$ 465,589	801,805
Foreign exchange differences arising from foreign operations	195,425	-
Exchange differences on translation financial statements from investments accounted for using equity method	29,933	-
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	146,579
Share of cash flow hedges of associates and joint ventures accounted for under equity method	-	-
	(31,923)	(31,923)
Balance as of March 31, 2019	<u><b>\$ 690,947</b></u>	<u><b>948,384</b></u>
	<u><b>(100,057)</b></u>	<u><b>1,539,274</b></u>

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

(r) Earnings per share

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

(i) Basic earnings per share

	For the three months ended March 31	
	2020	2019
Net income attributable to common shareholders of the Company	\$ <u>59,340</u>	<u>283,995</u>
Weighted-average number of common shares (in thousands)	<u>825,710</u>	<u>825,710</u>
Basic earnings per share (NT dollars)	\$ <u>0.07</u>	<u>0.34</u>

(ii) Diluted earnings per share

	For the three months ended March 31	
	2020	2019
Net income attributable to common shareholders of the Company (diluted)	\$ <u>59,340</u>	<u>283,995</u>
Weighted-average number of common shares (basic) (in thousands)	825,710	825,710
Impact of potential common shares		
Effect of employees' compensation (in thousands)	<u>3,481</u>	<u>2,273</u>
Weighted-average number of shares outstanding (diluted) (in thousands)	<u>829,191</u>	<u>827,983</u>
Diluted earnings per share (NT dollars)	\$ <u>0.07</u>	<u>0.34</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 ended March 31, 2020 and 2019, the estimated amounts of employees' bonuses were \$9,000 thousand and \$11,100 thousand, respectively, and the estimated amounts of directors' remuneration were \$304 thousand and \$2,857 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 shareholders' meeting, the adjustment will be regarded as changes in accounting estimates and will be reflected in profit or loss in the following year.

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**TSRC CORPORATION AND SUBSIDIARIES**  
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For the years ended December 31, 2019 and 2018, the Company recognized its employees' compensation of \$53,614 thousand and \$64,290 thousand, respectively, and its directors' remuneration of \$9,813 thousand and \$14,064 thousand, respectively. There are no differences between the amounts distributed to employees and directors and those recognized in the financial statements except that the Board of Directors resolved that the directors' remuneration of 2019 was \$4,907 thousand, and the difference was recognized in profit and loss of 2020, considering the Company's operating performance and regional market level. For relevant information, please refer to Market Observation Post System.

(t) Revenue from contracts with customers

<b>For the three months ended March 31, 2020</b>			
	<b>Synthetic rubber</b>	<b>Non-synthetic rubber</b>	<b>Total</b>
Primary geographical markets:			
Asia	\$ 4,330,325	210,990	4,541,315
Americas	1,007,053	1,780	1,008,833
Europe	744,985	-	744,985
Others	198,713	-	198,713
	<u><u>\$ 6,281,076</u></u>	<u><u>212,770</u></u>	<u><u>6,493,846</u></u>
Major product lines:			
Synthetic rubber / elastomers	6,108,194	-	6,108,194
Applied materials	-	207,746	207,746
Others	172,882	5,024	177,906
	<u><u>\$ 6,281,076</u></u>	<u><u>212,770</u></u>	<u><u>6,493,846</u></u>
<b>For the three months ended March 31, 2019</b>			
	<b>Synthetic rubber</b>	<b>Non-synthetic rubber</b>	<b>Total</b>
Primary geographical markets:			
Asia	\$ 4,664,998	529,815	5,194,813
Americas	1,237,607	4,472	1,242,079
Europe	868,754	-	868,754
Others	255,349	-	255,349
	<u><u>\$ 7,026,708</u></u>	<u><u>534,287</u></u>	<u><u>7,560,995</u></u>
Major product lines:			
Synthetic rubber / elastomers	6,971,004	-	6,971,004
Applied materials	-	534,189	534,189
Others	55,704	98	55,802
	<u><u>\$ 7,026,708</u></u>	<u><u>534,287</u></u>	<u><u>7,560,995</u></u>

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

(u) Other income and expenses

<b>For the three months ended March 31</b>		
	<b>2020</b>	<b>2019</b>
Rental income	\$ 15,885	20,952
Royalty income	23,770	24,933
Net service income	2,142	3,144
Depreciation of investment properties	(3,682)	(3,682)
Net other income	4,123	6,219
Other income and expenses	<u>\$ 42,238</u>	<u>51,566</u>

(v) Non-operating income and expenses

(i) Other gains

<b>For the three months ended March 31</b>		
	<b>2020</b>	<b>2019</b>
Interest income	\$ 16,154	24,115

(ii) Other gains and losses

<b>For the three months ended March 31</b>		
	<b>2020</b>	<b>2019</b>
Loss on disposal of property, plant and equipment, net	\$ (8,414)	(250)
Foreign exchange gain (loss), net	6,857	(2,586)
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	7,557	14,097
Other income	649	794
Other gains and losses, net	<u>\$ 6,649</u>	<u>12,055</u>

(iii) Finance costs

<b>For the three months ended March 31</b>		
	<b>2020</b>	<b>2019</b>
Interest expense	\$ 40,301	51,532

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**TSRC CORPORATION AND SUBSIDIARIES**  
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(w) Financial instruments

Except as noted below, there were no significant changes in the Group's exposure to credit risk, liquidity risk, and market risk due to financial instruments. Please refer to note 6(z) to the consolidated financial statements for the year ended December 31, 2019.

(i) Liquidity risk

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

	Contractual cash flows	Within 6 months	6-12 months	1-2 years	2-5 years	Over 5 years
<b>March 31, 2020</b>						
Non-derivative financial liabilities						
Short-term debts	\$ 5,851,188	5,548,256	302,932	-	-	-
Accounts payable (including related parties)	1,068,778	1,068,778	-	-	-	-
Other payables	943,705	943,705	-	-	-	-
Long-term debts (including other long-term borrowings and current portion)	5,240,449	434,485	480,849	2,519,108	1,806,007	-
Lease liabilities	895,429	85,101	85,101	143,839	267,564	313,824
Deposits received	56,540	-	-	56,540	-	-
Derivative financial liabilities						
Other swap contracts/other forward contracts:						
Outflow	2,476	2,476	-	-	-	-
	<u>\$ 14,058,565</u>	<u>8,082,801</u>	<u>868,882</u>	<u>2,719,487</u>	<u>2,073,571</u>	<u>313,824</u>
<b>December 31, 2019</b>						
Non-derivative financial liabilities						
Short-term debts	\$ 4,745,864	4,468,550	250,845	26,469	-	-
Accounts payable (including related parties)	2,451,764	2,451,764	-	-	-	-
Other payables	1,309,810	1,309,810	-	-	-	-
Long-term debts (including other long-term borrowings and current portion)	5,511,811	188,214	232,521	3,195,864	1,895,212	-
Lease liabilities	920,136	91,830	91,830	158,655	310,188	267,633
Deposits received	54,206	-	-	54,206	-	-
Derivative financial liabilities						
Other swap contracts:						
Outflow	5,672	5,672	-	-	-	-
	<u>\$ 14,999,263</u>	<u>8,515,840</u>	<u>575,196</u>	<u>3,435,194</u>	<u>2,205,400</u>	<u>267,633</u>
<b>March 31, 2019</b>						
Non-derivative financial liabilities						
Short-term debts	\$ 4,601,530	4,122,568	478,962	-	-	-
Accounts payable (including related parties)	1,808,979	1,808,979	-	-	-	-
Other payables	1,121,481	1,121,481	-	-	-	-
Long-term debts (including other long-term borrowings and current portion)	5,229,863	445,885	444,056	1,197,628	3,142,294	-
Lease liabilities	1,163,048	114,356	114,356	195,240	503,164	235,932
Deposits received	40,813	-	-	40,813	-	-
Derivative financial liabilities						
Other swap contracts/other forward contracts:						
Outflow	1	1	-	-	-	-
	<u>\$ 13,965,715</u>	<u>7,613,270</u>	<u>1,037,374</u>	<u>1,433,681</u>	<u>3,645,458</u>	<u>235,932</u>

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

(ii) Currency risk

1) Risk exposure

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>March 31, 2020</b>			
Financial assets:			
Monetary assets:			
USD	\$ 69,563	30.2540	2,104,559
EUR	\$ 12,464	33.2703	414,681
JPY	\$ 226,999	0.2790	63,333
CNY	\$ 11,871	4.2592	50,561
Financial liabilities:			
Monetary liabilities:			
USD	\$ 68,618	30.2540	2,075,969
EUR	\$ 10,169	33.2703	338,326
JPY	\$ 167,610	0.2790	46,763
<b>December 31, 2019</b>			
Financial assets:			
Monetary assets:			
USD	\$ 56,148	30.1060	1,690,392
EUR	\$ 13,368	33.7488	451,154
JPY	\$ 89,008	0.2771	24,664
CNY	\$ 19,094	4.3231	82,545
Financial liabilities:			
Monetary liabilities:			
USD	\$ 55,402	30.1060	1,667,933
EUR	\$ 10,712	33.7488	361,517
JPY	\$ 66,081	0.2771	18,311

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

	<u>Foreign currency</u>	<u>Exchange rate</u>	<u>NTD</u>
<b>March 31, 2019</b>			
Financial assets:			
Monetary assets:			
USD	\$	68,728	30.8250
EUR	\$	16,793	34.6226
JPY	\$	221,640	0.2783
CNY	\$	11,406	4.5808
Financial liabilities:			
Monetary liabilities:			
USD	\$	65,372	30.8250
EUR	\$	15,157	34.6226
JPY	\$	178,691	0.2783

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 depreciated / appreciated by 1%, the Group's net income before tax would have increased/decreased by \$1,721 thousand and \$2,243 thousand for the three months ended March 31, 2020 and 2019, 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 currencies, the information on foreign exchange gain (loss) on monetary items is disclosed by gross amount. For the three months ended March 31, 2020 and 2019, foreign exchange gain (including realized and unrealized) amounting to \$14,414 thousand and \$11,511 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 at 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 decreased / increased by \$27,263 thousand and \$23,633 thousand for the three months ended March 31, 2020 and 2019, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

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**TSRC CORPORATION AND SUBSIDIARIES**  
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(iii) Fair value

1) Hierarchy 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. No additional fair value disclosure is required in accordance to the regulations.

<b>March 31, 2020</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 7,404	-	7,404	-	7,404
Financial assets at fair value through other comprehensive income					
Unlisted stocks (domestic and overseas)	916,887	-	-	916,887	916,887
<b>Total</b>	<b>\$ 924,291</b>	<b>-</b>	<b>7,404</b>	<b>916,887</b>	<b>924,291</b>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 2,476	-	2,476	-	2,476
<b>December 31, 2019</b>					
	<b>Carrying amount</b>	<b>Fair value</b>			<b>Total</b>
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 14	-	14	-	14
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	115,200	115,200	-	-	115,200
Unlisted stocks (domestic and overseas)	1,022,688	-	-	1,022,688	1,022,688
Subtotal	1,137,888	115,200	-	1,022,688	1,137,888
<b>Total</b>	<b>\$ 1,137,902</b>	<b>115,200</b>	<b>14</b>	<b>1,022,688</b>	<b>1,137,902</b>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 5,672	-	5,672	-	5,672

(Continued)

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

	March 31, 2019				
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 5,117	-	5,117	-	5,117
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	360,036	360,036	-	-	360,036
Unlisted stocks (domestic and overseas)	1,086,525	-	-	1,086,525	1,086,525
Subtotal	1,446,561	360,036	-	1,086,525	1,446,561
Total	\$ 1,451,678	360,036	5,117	1,086,525	1,451,678
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 1	-	1	-	1

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, 2020	\$ 1,022,688
Total losses recognized:	
In other comprehensive income	<u>(105,801)</u>
Balance at March 31, 2020	<u><b>\$ 916,887</b></u>
Balance at January 1, 2019	\$ 994,175
Total gains recognized:	
In other comprehensive income	<u>92,350</u>
Balance at March 31, 2019	<u><b>\$ 1,086,525</b></u>

(Continued)

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

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

Quantified information of significant unobservable inputs was as follows:

<u>Item</u>	<u>Valuation technique</u>	<u>Significant unobservable inputs</u>	<u>Inter-relationship between significant unobservable inputs and fair value measurement</u>
Financial assets at fair value through other comprehensive income-equity investments without an active market	Comparative listed company	<ul style="list-style-type: none"> <li>Multipliers of price-to-earnings ratios as of March 31, 2020, December 31, 2019 and March 31, 2019 were 15.78~16.00, 15.79~17.41 and 12.03~18.51, respectively</li> <li>Multipliers of equity ratios as of March 31, 2020 and December 31, 2019 were 0.89 and 1.17, respectively</li> <li>Market illiquidity discount rate as of March 31, 2020, December 31, 2019 and March 31, 2019 was all 20%</li> </ul>	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> <li>the multiplier was higher (lower)</li> <li>the market illiquidity discount was lower (higher)</li> </ul>

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

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

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
<b>March 31, 2020</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 11,459	(11,459)
<b>December 31, 2019</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 12,809	(12,809)

(Continued)

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

	<u>Input</u>	<u>Move up or down</u>	<u>Other comprehensive income</u>	
			<u>Favorable</u>	<u>Unfavorable</u>
<b>March 31, 2019</b>				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 13,578	(13,578)

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(aa) to the consolidated financial statements for the year ended December 31, 2019.

(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, 2019. There were no significant changes in the Group's quantitative information from that disclosed in the consolidated financial statements for the year ended December 31, 2019. For further information, please refer to note 6(ab) to the consolidated financial statements for the year ended December 31, 2019.

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

The Group did not have non-cash flow transactions on investing and financing activities for the three months ended March 31, 2020 and 2019.

(aa) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the three months ended March 31, 2020 and 2019 was as follows:

	<u>January 1, 2020</u>	<u>Cash flows</u>	<u>Foreign exchange movement</u>	<u>Non-cash changes Amortization of commercial paper discount</u>	<u>Others</u>	<u>March 31, 2020</u>
Long-term borrowings (including current portion)	\$ 4,959,940	(234,162)	(4,337)	-	-	4,721,441
Other long-term borrowings	349,287	-	-	434	-	349,721
Short-term borrowings	4,729,148	1,115,608	(10,857)	-	-	5,833,899
Lease liabilities	861,631	(44,537)	(6,074)	2,157	47,887	861,064
Total liabilities from financing activities	<u>\$ 10,900,006</u>	<u>836,909</u>	<u>(21,268)</u>	<u>2,591</u>	<u>47,887</u>	<u>11,766,125</u>

(Continued)

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

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

**(7) Related-party transactions**

**(a) Names and relationship with related parties**

In this consolidated financial report, the related parties having transactions with the 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
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	The Group recognized associates under equity method
Asia Pacific Energy Development Co., Ltd.	//
Nantong Qix Storage Co., Ltd.	The Group recognized joint venture under equity method
Marubeni Corporation	Corporate director of one consolidated entity
UBE Industrial Ltd.	//
Metropolis Property Management Corporation	Other related parties of the Group
Continental Engineering Corporation	//
WFV Corporation	//
UBE (Shanghai) Ltd.	Subsidiary of corporate director of one consolidated entity

**(b) Significant transactions with related parties**

**(i) Operating revenue**

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

	For the three months ended March 31	
	2020	2019
Associates	<u>\$ 5,769</u>	<u>16,987</u>

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

(Continued)

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

(ii) Purchases

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

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Others	\$ <u>64,778</u>	<u>151,431</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 warehouse, management, technologies and IT services to associates, joint ventures, and other related parties. The amounts recognized as other income and expenses were as follows:

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	28,849	37,151
Joint ventures		
Indian Synthetic Rubber Private Limited	11,852	14,009
Others	700	1,116
Other related parties		
Others	(3,835)	(3,251)
	\$ <u>37,566</u>	<u>49,025</u>

(iv) Lease—Rent income

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Others	\$ <u>1,121</u>	<u>1,110</u>

The amount of rent is based on neighboring rent, and the rental is collected monthly from other relative parties.

(Continued)

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

(v) Receivables from related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Other receivables	Associates			
	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 25,308	24,403	30,262
Other receivables	Joint ventures			
	Indian Synthetic Rubber Private Limited	18,945	17,541	22,775
	Others	458	546	252
		<u>\$ 44,711</u>	<u>42,490</u>	<u>53,289</u>

(vi) Payables to related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Accounts payable	Other related parties	\$ 30,900	59,418	-
Other payables	Other related parties	843	910	871
		<u>\$ 31,743</u>	<u>60,328</u>	<u>871</u>

(vii) Guarantees

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

	<u>March 31, 2020</u>	<u>December 31, 2019</u>	<u>March 31, 2019</u>
Associates			
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 756,615	1,113,557	1,386,630
Joint ventures			
Indian Synthetic Rubber Private Limited	1,438,578	1,431,541	1,465,729
	<u>\$ 2,195,193</u>	<u>2,545,098</u>	<u>2,852,359</u>

(Continued)

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

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

	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Associates			
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 2,762	4,080	3,086
Joint ventures			
Indian Synthetic Rubber Private Limited	13,459	15,147	20,934
	<u>\$ 16,221</u>	<u>19,227</u>	<u>24,020</u>

(c) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	<b>For the three months ended March 31</b>	
	<b>2020</b>	<b>2019</b>
Short-term employee benefits	\$ 29,395	27,793
Post-employment benefits	308	362
	<u>\$ 29,703</u>	<u>28,155</u>

**(8) Pledged assets**

The carrying values of pledged assets were as follows:

<b>Pledged assets</b>	<b>Object</b>	<b>March 31, 2020</b>	<b>December 31, 2019</b>	<b>March 31, 2019</b>
Restricted savings deposits (recorded as other non-current assets)	Guarantee for utility loans	\$ 1,240	1,233	-
Machinery etc. (recorded as property, plant and equipment)	Guarantee for long-term borrowings	316,867	317,610	350,221
		<u>\$ 318,107</u>	<u>318,843</u>	<u>350,221</u>

**(9) Commitments and contingencies**

- (a) As of March 31, 2020, December 31 and March 31, 2019, the Group's unused letters of credit outstanding were \$733,208 thousand, \$1,898,743 thousand and \$1,465,925 thousand, respectively.

(Continued)

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

- (b) As of March 31, 2020, December 31 and March 31, 2019, the Group's signed construction and design contracts with several vendors totaled \$2,234,030 thousand, \$2,222,624 thousand and \$2,105,836 thousand, respectively, of which \$1,803,007 thousand, \$1,665,915 thousand and \$1,119,903 thousand, respectively, were paid.

**(10) Losses Due to Major Disasters: None.**

**(11) Subsequent Events: None.**

**(12) Other**

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

By nature	Three months ended March 31, 2020			Three months ended March 31, 2019		
	Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits						
Salary	271,756	170,225	441,981	252,049	167,609	419,658
Labor and health insurance	20,997	15,533	36,530	23,102	15,955	39,057
Pension	10,414	8,053	18,467	24,893	12,754	37,647
Others (note 1)	39,228	17,731	56,959	38,663	19,028	57,691
Depreciation (note 2)	202,463	48,228	250,691	209,109	40,577	249,686
Amortization	1,621	37,007	38,628	1,549	37,069	38,618

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

Note 2: Depreciation expenses for investment property recognized under other income and expenses amounting to \$3,682 thousand for the three months ended March 31, 2020 and 2019 were excluded.

- (b) Seasonality or cyclicity of interim operations

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

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

#### (13) Other disclosures

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

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

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

Unit: thousand NTD

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	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	186,349	183,146	183,146	3.915%	2	-	Operating capital	-		-	245,514 (Note 1)	491,027 (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)	907,620	907,620	-	-	6.17 %	(Note 3)	Y		
0	TSRC	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,110,388	756,615	338,066	-	5.15 %	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,442,192	1,438,578	1,223,018	-	9.79 %	(Note 3)			
0	TSRC	TSRC (Vietnam) Co., Ltd.	4	(Note 2)	442,818	441,708	393,302	-	3.01 %	(Note 3)	Y		
0	TSRC	Dexco Polymers L.P.	4	(Note 2)	303,300	302,540	232,986	-	2.06 %	(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 securities 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 \$7,349,393 thousand.

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$22,048,178 thousand.

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

##### (iii) Securities held as of March 31, 2020 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand NTD

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
TSRC	Evergreen Steel Corporation	-	Financial assets at fair value through other comprehensive income—non-current	12,148,000	270,293	3.00 %	270,293	
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	599,999	147,096	5.42 %	147,096	

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Remarks
				Number of shares	Book value	Holding percentage	Market value	
TSRC	Hsin-Yung Enterprise Corporation	-	Financial assets at fair value through other comprehensive income – non-current	5,657,000	294,164	3.90 %	294,164	
Dynas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income – non-current	837,552	205,334	7.57 %	205,334	
					916,887		916,887	

- (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.	Dexco Polymers L.P.	Related parties	Purchase	190,858	32.70 %	90 days	-		(57,501)	(17.42) %	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	Related parties	Sale	(190,858)	(19.53) %	90 days	-		57,501	13.65 %	
TSRC (Lux.) Corporation S.'a r.l.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	345,447	59.18 %	70 days	-		(267,375)	(80.99) %	
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	Related parties	Sale	(345,447)	(36.99) %	70 days	-		267,375	49.88 %	

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	267,375	5.51	-		84,800	-

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

Note 2: Until May 7, 2020.

- (ix) Trading in derivative instruments: Please refer to note 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				Percentage of the total consolidated revenue or total assets
				Account name	Amount	Trading terms		
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Sales revenue	13,371	The transaction is not significantly different from normal transactions, and the collection terms were about two months		0.21 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	12,748	"		0.20 %
0	TSRC	TSRC (Lux.) Corporation S.'a r.l.	1	Sales revenue	46,486	"		0.72 %
0	TSRC	Polybus Corporation Pte Ltd	1	Sales revenue	18,085	"		0.28 %
0	TSRC	Dexco Polymers L.P.	1	Sales revenue	42,392	"		0.65 %

(Continued)

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

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	TSRC	Dexco Polymers L.P.	1	Accounts receivable	38,656	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.12 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	9,836	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.15 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3	Sales revenue	10,523	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.16 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	76,323	"	1.18 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	345,447	"	5.32 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	267,375	"	0.85 %
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	54,016	"	0.83 %
1	TSRC (Nantong) Industries Ltd.	Dexco Polymers L.P.	3	Sales revenue	8,131	"	0.13 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	190,858	The transaction is not significantly different from normal transactions, and the collection terms were about three months	2.94 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	57,501	"	0.18 %
3	TSRC (Lux.) Corporation S.'a r.l.	TSRC	2	Other income and expenses	11,595	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.18 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Sales revenue	10,948	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.17 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Entrusted loans	183,146	One year based on the contract of entrusted loans	0.58 %
0	TSRC	TSRC(USA) Investment Corporation	1	Note 4	907,620	-	-
0	TSRC	TSRC (Vietnam) Co., Ltd.	1	Note 4	441,708	-	-
0	TSRC	Dexco Polymers L.P.	1	Note 4	302,540	-	-

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.

(Continued)

## TSRC CORPORATION AND SUBSIDIARIES

### Notes to the Consolidated Financial Statements

(b) Information on investees:

The following is the information on investees for the three months ended March 31, 2020 (excluding information on investees in Mainland China):

Unit: thousand NTD/thousand USD/thousand EUR

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance		Net income (losses) of investee	Investment income (losses)	Remarks
				March 31, 2020	December 31, 2019	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 %	13,353,968	127,946	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 %	931,862	774	Subsidiary
TSRC	Dynas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	38,376	38,376	1,161,004	19.48 %	191,706	4,747	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 %	225,568	(19,919)	Subsidiary
Trimurti Holding Corporation	Polybus Corporation Pte Ltd	100 Peck Seah Street #09-16 Singapore 079333	International commerce and investment corporation	1,969,566 (USD65,101)	1,969,566 (USD65,101)	105,830,000	100.00 %	7,282,247	140,314	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F Bee Group Life Assurance Tower 136 Dues Voeus Road Central	Investment corporation	3,141,878 (USD103,859)	2,355,274 (USD77,850)	103,850,000	100.00 %	3,930,696	(11,628)	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	891,676 (USD29,473)	891,676 (USD29,473)	222,861,375	50.00 %	346,123	(3,544)	(1,772)
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S/a r.l.	39-43 avenue de la Liberte L-1931 Luxembourg	International commerce and investment corporation	2,490,947 (EUR74,870)	1,690,131 (EUR50,800)	74,869,617	100.00 %	3,323,183	(23,276)	Indirectly owned subsidiary
TSRC (Lux.) Corporation S/a r.l.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, County of New Castle, Wilmington, Delaware, USA	Investment corporation	2,995,897 (USD96,650)	2,119,293 (USD70,650)	130	100.00 %	3,270,670	(18,278)	Indirectly owned subsidiary
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston, TX, USA	Production and sale of TPE	6,614,039 (USD218,617)	5,827,435 (USD192,617)	-	100.00 %	2,325,624	10,681	Indirectly owned subsidiary
Hardison International Corporation	Triton International Holdings Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	1,513 (USD50)	1,513 (USD50)	50,000	100.00 %	115,963	(2,987)	Indirectly owned subsidiary
Hardison International Corporation	Dynas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I.	Investment corporation	145,189 (USD4,799)	145,139 (USD4,799)	4,798,566	80.52 %	813,727	4,747	Indirectly owned subsidiary
Dynas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	341,416 (USD11,285)	341,416 (USD11,285)	7,522,337	37.78 %	411,603	8,137	3,074

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.254; EUR1 to NTD33.2703).

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

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

(c) Information on investment in mainland China:

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

Unit: thousand NTD/thousand USD

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, 2020	Investment flow during current period		Cumulative investment (amount) from Taiwan as of March 31, 2020	Net income (losses) of investee	Direct / indirect investment holding percentage	Investment income (losses)	Book value	Accumulated remittance of earnings in current period
					Remittance amount	Repatriation amount						
Shen Hua Chemical Industries Co., Ltd.	Production and sale of synthetic rubber products	1,247,070 (USD41,220)	(2)a.	-	-	-	-	71,319	65.44 %	46,071	1,790,077	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	698,867 (USD23,100)	(2)c.	115,933 (USD3,832)	-	-	115,933 (USD3,832)	(10,181)	28.34 %	(2,885)	395,592	-
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	166,397 (USD5,500)	(2)b.	118,596 (USD3,920)	-	-	118,596 (USD3,920)	12,279	100.00 %	12,279	495,888	-
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	90,762 (USD3,000)	(2)d.	45,381 (USD1,500)	-	-	45,381 (USD1,500)	(5,934)	50.00 %	(2,967)	62,523	-
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,210,160 (USD40,000)	(2)a.	30,254 (USD1,000)	-	-	30,254 (USD1,000)	23,587	55.00 %	12,973	796,984	-
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	3,180,452 (USD105,125)	(2)a.	201,129 (USD6,648)	-	-	201,129 (USD6,648)	99,605	100.00 %	99,605	4,369,779	-
ARLANNXO-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,355,379 (USD44,800)	(2)a.	-	-	-	-	(28,349)	50.00 %	(14,174)	212,450	-

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.

(Continued)

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

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.254).

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

(ii) Limitation on investment in Mainland China:

Unit: thousand NTD/thousand USD

<b>Company name</b>	<b>Accumulated investment amount in Mainland China as of March 31, 2020</b>	<b>Investment (amount) approved by Investment Commission, Ministry of Economic Affairs</b>	<b>Maximum investment amount set by Investment Commission, Ministry of Economic Affairs</b>
TSRC	511,293 (USD16,900)	5,667,633 (USD187,335) (Note 2)	- (Note 1)

Note 1: In accordance with the "Regulations on Permission for Investment or Technical Cooperation in Mainland China" and the "Principles for Examination of Applications for Investment or Technical Cooperation in Mainland China" amended and ratified by the Executive Yuan on August 22, 2008, the Company met the criteria for operational headquarters under the Statute for Industrial Innovation and obtained approval from the Industrial Development Bureau, Ministry of Economic Affairs, on August 23, 2018. As it has an operational headquarters status, the Company is not subject to the limitation as to the amount of investment in Mainland China during the period from August 20, 2018 to August 19, 2021.

Note 2: This amount includes capital increase out of earnings, approved by the Investment Commission, MOEA.

Note 3: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.254).

(iii) Significant transactions:

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

(d) Major shareholders:

<b>Shareholder's Name</b>	<b>Shareholding</b>	<b>Shares</b>	<b>Percentage</b>
Panama Banco industrial company		69,524,417	8.41 %
Metacity Development Corporation		63,093,108	7.64 %
Wei Dah Development Co.,Ltd.		53,708,923	6.50 %

(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:

	<u>Synthetic rubber</u>	<u>Non-synthetic rubber</u>	<u>Others</u>	<u>Adjustments or eliminations</u>	<u>Total</u>
<b>Three months ended</b>					
<b>March 31, 2020</b>					
Revenue:					
Revenue from external customers	\$ <u>6,281,076</u>	<u>212,770</u>	<u>-</u>	<u>-</u>	<u>6,493,846</u>
<b>Income from operations</b>	<u>\$ 187,985</u>	<u>(13,318)</u>	<u>(13,025)</u>	<u>6,734</u>	<u>168,376</u>
<b>Three months ended</b>					
<b>March 31, 2019</b>					
Revenue:					
Revenue from external customers	\$ <u>7,026,708</u>	<u>534,287</u>	<u>-</u>	<u>-</u>	<u>7,560,995</u>
<b>Income from operations</b>	<u>\$ 276,562</u>	<u>128,010</u>	<u>(18,260)</u>	<u>15,360</u>	<u>401,672</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.