

**TSRC CORPORATION
AND SUBSIDIARIES**

Consolidated Financial Statements

**With Independent Auditors' Report
For the Years Ended December 31, 2019 and 2018**

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

The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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Representation Letter

The entities that are required to be included in the combined financial statements of TSRC Corporation as of and for the year ended December 31, 2019 under the Criteria Governing the Preparation of Affiliation Reports, Consolidated Business Reports, and Consolidated Financial Statements of Affiliated Enterprises are the same as those included in the consolidated financial statements prepared in conformity with International Financial Reporting Standards No. 10 by the Financial Supervisory Commission, "Consolidated Financial Statements." In addition, the information required to be disclosed in the combined financial statements is included in the consolidated financial statements. Consequently, TSRC Corporation and Subsidiaries do not prepare a separate set of combined financial statements.

Company name: TSRC Corporation

Chairman: Nita Ing

Date: March 17, 2020



安侯建業聯合會計師事務所
KPMG

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

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

Independent Auditors' Report

To the Board of Directors of TSRC Corporation:

Opinion

We have audited the consolidated financial statements of TSRC Corporation ("the Group"), which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years ended December 31, 2019 and 2018, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for the years ended December 31, 2019 and 2018 in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers and with the International Financial Reporting Standards ("IFRSs"), International Accounting Standards ("IASs"), interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China.

Basis for Opinion

We conducted our audit of the Consolidated financial statements as of and for the year ended December 31, 2019 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, Rule No. 1090360805 issued by the Financial Supervisory Commission, and the auditing standards generally accepted in the Republic of China. Furthermore, we conducted our audit of the consolidated financial statements as of and for the year ended December 31, 2018 in accordance with the Regulations Governing Auditing and Certification of Financial Statements by Certified Public Accountants, and the auditing standards generally accepted in the Republic of China. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the Certified Public Accountants Code of Professional Ethics in Republic of China ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

Emphasis of Matter

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year end December 31, 2019. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Revenue recognition

Please refer to note 4(q) and note 6(v) for disclosures related to revenue recognition.

Description of key audit matter:

Revenue is the key indicator used by investors and management while evaluating the Group's finance or operating performance. The accuracy of the timing and amount of revenue recognized have significant impact on the financial statements, for which the assumptions and judgments of revenue measurement and recognition rely on subjective judgments of the management. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

Testing the effectiveness of design and implementing the internal control (both manual and system control) of sales and collecting cycle; reviewing the revenue recognition of significant sales contracts to determine whether the accounting treatment, key judgment, estimation, and accounting treatment are reasonable; analyzing the changes in top 10 customers from the most recent period and last year, and the changes in the price and quantity of each category of product line to determine whether if there are any significant misstatements; selecting sales transactions from a period of time before and after the balance sheet date, and verifying with the vouchers to determine the accuracy of the timing and amounts of revenue recognized; understanding whether if there is a significant subsequent sales return or discount; and reviewing whether the disclosure of revenue made by the management is appropriate.

2. Inventory measurement

Please refer to note 4(h), note 5, and note 6(f) for disclosures related to inventory measurement.

Description of key audit matter:

The inventory of the Group includes various types of synthetic rubber and its raw material. Since there is an oversupply and a low market demand in the rubber manufacturing industry, which may result in a decline on the price of raw material, the carrying value of inventories may exceed its net realizable value. The measurement of inventory depends on the evaluation of the management based on evidence from internal and external, both subjective and objective. Therefore, we consider it as the key audit matter.

How the matter was addressed in our audit:

The key audit procedures performed is to understand management's accounting policy of inventory measurement and determine whether if it is reasonable and is being implement. The procedures includes reviewing the inventory aging documents and analyzing its changes; obtaining the documents of inventory measurement and evaluating whether if the bases used for net realizable value is reasonable; selecting samples and verifying them with the vouchers to test the accuracy of the amount; and reviewing whether the disclosure of inventory measurement made by the management is appropriate.

Other Matter

TSRC Corporation has additionally prepared its parent company only financial statements as of and for the years ended December 31, 2019 and 2018, on which we have issued an unqualified opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with Regulations Governing the Preparation of Financial Reports by Securities Issuers and IFRSs, IASs, interpretation as well as related guidance endorsed by the Financial Supervisory Commission of the Republic of China, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the auditing standards generally accepted in the Republic of China will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in the Republic of China, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the consolidated financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
4. Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
6. Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partners on the audit resulting in this independent auditor's report are Po-Shu Huang and Ming-Hung Huang.

KPMG

Taipei, Taiwan (Republic of China)
March 17, 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 audit such consolidated financial statements are those generally accepted and applied in the Republic of China.

The independent auditors' 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' report and consolidated financial statements, the Chinese version shall prevail.

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

Consolidated Balance Sheets

December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	December 31, 2019		December 31, 2018	
	Amount	%	Amount	%
Assets				
Current assets:				
1100 Cash and cash equivalents (note 6(a))	\$ 4,695,280	14	4,527,752	15
1110 Financial assets at fair value through profit or loss – current (note 6(b))	14	-	679	-
1150 Notes receivable, net (note 6(d))	866,347	3	558,944	2
1170 Accounts receivable, net (note 6(i))	2,759,617	8	2,873,893	10
1200 Other receivable (notes 6(c) and 7)	136,351	-	91,395	-
1220 Current income tax assets	80	-	21,636	-
130x Inventories (note 6(f))	6,414,679	20	6,449,363	21
1479 Other current assets (note 6(e))	493,550	2	337,496	1
Total current assets	15,365,918	47	14,861,158	49
Non-current assets:				
1518 Non-current financial assets at fair value through other comprehensive income (note 6(c))	1,137,888	4	1,299,806	4
1550 Investments accounted for under equity method (notes 6(g) and 7)	1,098,591	3	1,067,378	4
1600 Property, plant and equipment (notes 6(h), 6(i), 8 and 9)	10,037,395	31	8,768,849	29
1755 Right-of-use assets (note 6(i))	1,331,571	4	-	-
1760 Investment property (note 6(j))	1,581,599	5	1,596,324	5
1780 Intangible assets (note 6(k))	1,669,885	5	1,851,601	6
1840 Deferred income tax assets (note 6(r))	220,439	1	244,319	1
1900 Other non-current assets (notes 6(l) and 8)	71,637	-	540,734	2
Total non-current assets	17,149,005	53	15,369,011	51
Total assets	\$ 32,514,923	100	30,230,169	100
Liabilities and Equity				
Current liabilities:				
Short-term borrowings (note 6(m))	\$ 4,729,148	15	4,147,772	14
Current portion of long-term borrowings (notes 6(m) and 8)	287,235	1	850,000	3
Financial liabilities at fair value through profit or loss – current (note 6(b))	5,672	-	2,066	-
Accounts payable	2,392,346	7	1,514,522	5
Accounts payable – related parties (note 7)	59,418	-	-	-
Current income tax liabilities	121,726	-	133,032	-
Other payable (notes 6(n), 6(o), 6(u) and 7)	1,309,810	4	1,330,672	4
Current lease liabilities (note 6(o))	175,942	-	-	-
Other current liabilities (note 6(m))	219,238	1	194,549	1
Total current liabilities	9,300,535	28	8,172,613	27
Non-current liabilities:				
Long-term bank borrowings (notes 6(m) and 8)	4,672,705	15	3,718,325	12
Other long-term borrowings (note 6(m))	349,287	1	499,693	2
Provision liabilities – non-current (note 7)	19,227	-	29,189	-
Deferred income tax liabilities (note 6(o))	855,481	3	695,682	2
Non-current lease liabilities (note 6(n))	685,689	2	-	-
Other non-current liabilities (note 6(m) and 6(q))	179,276	1	232,826	1
Total non-current liabilities	6,761,665	22	5,175,715	17
Total liabilities	16,062,200	50	13,348,328	44
Equity attributable to shareholders of the Company (notes 6(s) and 6(y)):				
Common stock	8,257,099	25	8,257,099	27
Capital surplus	47,140	-	45,158	-
Retained earnings:				
Legal reserve	3,977,141	12	3,857,922	13
Unappropriated earnings	1,940,361	6	1,951,564	6
	5,917,502	18	5,809,486	19
Other equity:				
Financial statement translation differences for foreign operations	23,383	-	465,589	2
Unrealized gain on financial assets measured at fair value through other comprehensive income	711,094	2	801,805	3
Gains (losses) on hedging instrument	(80,526)	-	(68,134)	-
	653,951	2	1,199,260	5
Total equity attributable to shareholders of the Company	14,875,692	45	15,311,003	51
Non-controlling interests	1,577,031	5	1,570,838	5
Total equity	16,452,723	50	16,881,841	56
Total liabilities and equity	\$ 32,514,923	100	30,230,169	100

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TSRC CORPORATION AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars , Except for Earnings Per Common Share)

	2019		2018	
	Amount	%	Amount	%
4000 Revenue (notes 6(v) and 7)	\$ 28,910,723	100	29,751,218	100
5000 Operating costs (notes 6(f), 6(h), 6(i), 6(k), 6(l), 6(n), 6(o), 6(p), 6(q), 6(u) and 7)	25,533,439	88	26,262,504	88
5910 Gross profit	3,377,284	12	3,488,714	12
6000 Operating expenses (notes 6(d), 6(h), 6(i), 6(k), 6(l), 6(o), 6(p), 6(q), 6(u) and 7):				
6100 Selling expenses	976,947	3	959,417	3
6200 General and administrative expenses	1,094,304	4	1,081,834	4
6300 Research and development expenses	389,840	1	387,948	1
6450 Impairment loss (reversal of impairment loss) determined in accordance with IFRS 9	(1,193)	-	10,214	-
Total operating expenses	2,459,898	8	2,439,413	8
6500 Other income and expenses, net (notes 6(j), 6(w) and 7)	167,475	-	252,513	-
6900 Operating profit	1,084,861	4	1,301,814	4
Non-operating income and expenses (notes 6(g), 6(o), 6(x) and 7):				
7010 Other income	161,867	-	171,366	1
7020 Other gains and losses	12,334	-	28,977	-
7050 Finance costs	(188,550)	-	(169,434)	(1)
7370 Share of gain of associates and joint ventures accounted for under equity method	184,126	-	297,720	1
Total non-operating income and expenses	169,777	-	328,629	1
7900 Net income before tax	1,254,638	4	1,630,443	5
7950 Less: Tax expenses (note 6(r))	437,518	1	396,773	1
Net income	817,120	3	1,233,670	4
8300 Other comprehensive income:				
8310 Components of other comprehensive income that will not be reclassified to profit or loss				
8311 Gains (losses) on remeasurements of defined benefit plans	(20,478)	-	(21,854)	-
8316 Unrealized gains (losses) from investments in equity instruments measured at fair value through other comprehensive income	106,662	-	177,996	-
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	86,184	-	156,142	-
8360 Components of other comprehensive income (loss) that will be reclassified to profit or loss				
8361 Exchange differences on translation of foreign financial statements	(499,164)	(2)	(12,155)	-
8370 Share of other comprehensive income (loss) of associates and joint ventures accounted for using equity method	(26,045)	-	(150,695)	-
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	(525,209)	(2)	(162,850)	-
8300 Other comprehensive income	(439,025)	(2)	(6,708)	-
Total comprehensive income	\$ 378,095	1	1,226,962	4
Net income attributable to:				
8610 Shareholders of parent	\$ 740,316	3	1,192,186	4
8620 Non-controlling interests	76,804	-	41,484	-
	\$ 817,120	3	1,233,670	4
Total comprehensive income attributable to:				
8710 Shareholders of parent	\$ 371,902	1	1,222,054	4
8720 Non-controlling interests	6,193	-	4,908	-
	\$ 378,095	1	1,226,962	4
9710 Basic earnings per share (in New Taiwan dollars) (note 6(t))	\$ 0.90		1.44	
9810 Diluted earnings per share (in New Taiwan dollars) (note 6(t))	\$ 0.89		1.44	

See accompanying notes to consolidated financial statements.

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

TSRC CORPORATION AND SUBSIDIARIES

Consolidated Statements of Changes in Equity

For the years ended December 31, 2019 and 2018

(Expressed in Thousands of New Taiwan Dollars)

	Equity attributable to owners of parent										Non-controlling interests	Total equity
	Retained earnings					Total other equity interest						
	Common stock	Capital surplus	Legal reserve	Unappropriated retained earnings	Total	Financial statements translation differences for foreign operations	Unrealized gains (losses) on financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total	Total equity attributable to owners of parent		
Balance at January 1, 2018												
Appropriation and distribution:												
Legal reserve	-	-	87,410	(87,410)	-	-	-	-	-	-	-	-
Cash dividends	-	-	-	(792,682)	(792,682)	-	-	-	-	(792,682)	-	(792,682)
Other changes in capital surplus	-	4,115	-	-	-	-	-	-	-	4,115	-	4,115
Net income	-	-	-	1,192,186	1,192,186	-	-	-	-	1,192,186	41,484	1,233,670
Other comprehensive income (loss)	-	-	-	(21,854)	(21,854)	(46,419)	177,996	(79,855)	51,722	29,868	(36,576)	(6,708)
Total comprehensive income (loss)	-	-	-	1,170,332	1,170,332	(46,419)	177,996	(79,855)	51,722	1,222,054	4,908	1,226,962
Disposal of investments in equity instruments at fair value through other comprehensive income												
	-	-	-	(29,848)	(29,848)	-	29,848	-	29,848	-	-	-
Balance at December 31, 2018	8,257,099	45,158	3,857,922	1,951,564	5,809,486	465,589	801,805	(68,134)	1,199,260	15,311,003	1,570,838	16,881,841
Appropriation and distribution of retained earnings:												
Legal reserve appropriated	-	-	119,219	(119,219)	-	-	-	-	-	-	-	-
Cash dividends of ordinary share	-	-	-	(809,195)	(809,195)	-	-	-	-	(809,195)	-	(809,195)
Other changes in capital surplus	-	1,982	-	-	-	-	-	-	-	1,982	-	1,982
Profit (loss)	-	-	-	740,316	740,316	-	-	-	-	740,316	76,804	817,120
Other comprehensive income	-	-	-	(20,478)	(20,478)	(442,206)	106,662	(12,392)	(347,936)	(368,414)	(70,611)	(439,025)
Total comprehensive income	-	-	-	719,838	719,838	(442,206)	106,662	(12,392)	(347,936)	371,902	6,193	378,095
Disposal of investments in equity instruments at fair value through other comprehensive income												
	-	-	-	197,373	197,373	-	(197,373)	-	(197,373)	-	-	-
Balance at December 31, 2019	8,257,099	47,140	3,977,141	1,940,361	5,917,502	23,383	711,094	(80,526)	653,951	14,875,692	1,577,031	16,452,723

See accompanying notes to consolidated financial statements.

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

TSRC CORPORATION AND SUBSIDIARIES**Consolidated Statements of Cash Flows****For the years ended December 31, 2019 and 2018****(Expressed in Thousands of New Taiwan Dollars)**

	2019	2018
Cash flows from operating activities:		
Consolidated net income before tax	\$ 1,254,638	1,630,443
Adjustments:		
Adjustments to reconcile profit and loss:		
Depreciation	996,958	874,575
Amortization	154,210	152,640
Impairment loss (reversal of impairment loss)	(1,193)	10,214
Interest expense	188,550	169,434
Interest income	(91,875)	(78,175)
Dividend income	(69,992)	(81,371)
Share of profit of associates and joint ventures accounted for under equity method	(184,126)	(297,720)
Loss on disposal of property, plant and equipment	35,325	23,824
Amortization to operating costs and inventories / Amortization of long-term prepaid rent	84,692	9,768
Gains from bargain purchase	-	(11,820)
Total adjustments to reconcile profit and loss	1,112,549	771,369
Changes in operating assets and liabilities:		
Net changes in operating assets:		
Financial assets at fair value through profit or loss	665	(679)
Notes receivable	(307,403)	350,523
Accounts receivable	115,469	23,481
Other receivable	(36,889)	(6,304)
Inventories	34,684	(408,683)
Other current assets	(155,736)	43,073
Total changes in operating assets, net	(349,210)	1,411
Net changes in operating liabilities:		
Financial liabilities at fair value through profit or loss	3,606	1,840
Accounts payable	877,824	(278,570)
Accounts payable—related parties	59,418	(35,663)
Other payable	(32,121)	176,107
Other current liabilities	31,676	16,088
Net defined benefit liability	(49,035)	(56,752)
Other operating liabilities	4,392	22,245
Total changes in operating liabilities, net	895,760	(154,705)
Total changes in operating assets and liabilities, net	546,550	(153,294)
Total adjustments	1,659,099	618,075
Cash provided by operating activities	2,913,737	2,248,518
Interest income received	104,889	69,172
Interest paid	(177,056)	(158,376)
Income taxes paid	(243,589)	(286,326)
Net cash provided by operating activities	2,597,981	1,872,988
Cash flows from investing activities:		
Proceeds from disposal of financial assets at fair value through other comprehensive income	246,302	-
Acquisition of investments accounted for under equity method	-	(42,184)
Acquisition of property, plant and equipment	(2,454,201)	(1,237,645)
Proceeds from disposal of property, plant and equipment	799	727
Decrease in other non-current assets	50,404	(89,986)
Dividends received	159,352	131,845
Proceeds from capital repayments of investments accounted for under equity method	-	245,391
Net cash used in investing activities	(1,997,344)	(991,852)
Cash flows from financing activities:		
Increase in short-term borrowings	21,324,066	36,511,929
Decrease in short-term borrowings	(20,672,431)	(39,037,284)
Increase in short-term commercial paper payable	-	1,119,523
Decrease in short-term commercial paper payable	-	(1,470,000)
Proceeds from long-term borrowings	1,446,799	3,753,662
Repayments of long-term borrowings	(1,014,794)	(800,000)
Increase (decrease) in other long-term borrowings	(155,663)	494,940
Decrease in finance lease liabilities	-	(6,584)
Payment of lease liabilities	(195,171)	-
Cash dividends paid	(807,552)	(791,238)
Overaging unclaimed dividends	1,982	4,115
Net cash used in financing activities	(72,764)	(220,937)
Effect of exchange rate changes on cash and cash equivalents	(360,345)	307,113
Net increase in cash and cash equivalents	167,528	967,312
Cash and cash equivalents at beginning of period	4,527,752	3,560,440
Cash and cash equivalents at end of period	\$ 4,695,280	4,527,752

See accompanying notes to consolidated financial statements.

(English Translation of Consolidated Financial Statements Originally Issued in Chinese)
TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements
For the years ended December 31, 2019 and 2018
(Expressed in Thousands of New Taiwan Dollars, Unless Otherwise Specified)

(1) Organization and Business Scope

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

(2) Financial Statements Authorization Date and Authorization Process

The consolidated financial statements were approved by the Board of Directors and published on March 17, 2020.

(3) New Standards, Interpretations and Amendments

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

The following new standards, interpretations and amendments have been endorsed by the FSC and are effective for annual periods beginning, or after, January 1, 2019. The differences between the current version and the previous version are as follows:

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

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

(i) IFRS 16 “Leases”

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

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

1) Definition of a lease

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

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

2) As a lessee

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

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Notes to the Consolidated Financial Statements

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

- Leases classified as operating leases under IAS 17

At transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at either:

- their carrying amount as if IFRS 16 had been applied since the commencement date, discounted using the lessee's incremental borrowing rate at the date of initial application – the Group applied this approach to its largest property leases; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments – the Group applied this approach to all other lease.

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

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

- Leases previously classified as finance leases

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

3) As a lessor

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

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Notes to the Consolidated Financial Statements

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

4) Impacts on financial statements

On transition to IFRS 16, the Group recognized the additional amounts of \$1,553,808 thousands of right-of-use assets and \$1,061,164 thousands of lease liabilities. When measuring lease liabilities, the Group discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied is 2.29%.

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

	January 1, 2019
Operating lease commitment at December 31, 2018 as disclosed in the Group's consolidated financial statements	\$ 374,441
Extension and termination options reasonably certain to be exercised	695,161
	<u><u>\$ 1,069,602</u></u>
Discounted using the incremental borrowing rate at January 1, 2019	\$ 1,025,326
Finance lease liabilities recognized as at December 31, 2018	<u>35,838</u>
Lease liabilities recognized at January 1, 2019	<u><u>\$ 1,061,164</u></u>

(ii) IFRIC 23 "Uncertainty over Income Tax Treatments"

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

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

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

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

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

<u>New, Revised or Amended Standards and Interpretations</u>	<u>Effective date per IASB</u>
Amendments to IFRS 3 “Definition of a Business”	January 1, 2020
Amendments to IFRS 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.

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

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

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

The significant accounting policies presented in the consolidated financial statements are summarized as follows. Except for those described otherwise, the accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently to the balance sheet as of reporting date.

- (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with the Regulations Governing the Preparation of Financial Reports by Securities Issuers (the Regulations) and the IFRSs endorsed by the FSC.

- (b) Basis of preparation

- (i) Basis of measurement

The consolidated financial statements have been prepared on a historical cost basis except for those otherwise explained in the accounting policies in the notes.

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Notes to the Consolidated Financial Statements

(ii) Functional and presentation currency

The functional currency of each individual consolidated entity is determined based on the primary economic environment. The consolidated financial statements are presented in New Taiwan dollars, which is Company's functional currency. The assets and liabilities of foreign operations are translated to the Group's functional currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the Group's functional currency at the average rate. Foreign currency differences are recognized in other comprehensive income. All financial information presented in New Taiwan dollars has been rounded to the nearest thousand.

(c) Basis of consolidation

(i) Principles of preparation of consolidated financial statements

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. The Company controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its control over the investee.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Transactions and balances, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. The comprehensive income from subsidiaries is allocated to the Company and its non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with those used by the Group.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over its subsidiaries are accounted for as equity transactions. Any difference between the amount by which the noncontrolling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to the shareholders of the parent.

When the Group loses control of a subsidiary, the Group derecognizes the assets (including goodwill) and liabilities of the former subsidiary at their carrying amounts from the consolidated statement and re-measures the fair value of retained interest at the date when control is lost. A gain or loss is recognized in profit or loss and is calculated as the difference between:

- 1) the aggregate of the fair value of consideration received and the fair value of any retained interest at the date when control is lost; and
- 2) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any noncontrolling interest.

The Group shall apply the accounting treatment to all previously recognizes amount related to its subsidiary in its comprehensive income as if the related assets and liabilities were disposed by the Group directly.

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TSRC CORPORATION AND SUBSIDIARIES
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(ii) List of the subsidiaries included in the consolidated financial statements

List of the subsidiaries included in the consolidated financial statements:

Name of investor	Name of investee	Scope of business	Percentage of ownership		Description
			December 31, 2019	December 31, 2018	
TSRC	Trimurti Holding Corporation	Investment	100.00 %	100.00 %	
TSRC	Hardison International Corporation	Investment	100.00 %	100.00 %	
TSRC & Hardison International Corporation	Dymas Corporation	Investment	100.00 %	100.00 %	(note 1)
TSRC	TSRC (Vietnam) Co., Ltd.	Production and processing of rubber color masterbatch, thermoplastic elastomer and plastic compound products	100.00 %	100.00 %	(note 4)
Trimurti Holding Corporation	Polybus Corporation Pte Ltd.	International commerce and investment	100.00 %	100.00 %	
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	Investment	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 %	
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.'a r.l.	International commerce and investment	100.00 %	100.00 %	
TSRC (Lux.) Corporation S.'a r.l.	TSRC (USA) Investment Corporation	Investment	100.00 %	100.00 %	
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	Production and sale of synthetic rubber products	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 %	
Polybus Corporation Pte Ltd.	TSRC-UBE (Nantong) Chemical Industrial Co., Ltd.	Production and sale of synthetic rubber products	55.00 %	55.00 %	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	100.00 %	100.00 %	
Hardison International Corporation	Triton International Holdings Corporation	Investment	100.00 %	100.00 %	
Hardison International Corporation	TSRC Biotech Ltd.	Investment	-	-	(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.

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Note 3: TSRC Biotech Ltd. completed its dissolution procedure in June 2018.

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

(d) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are remeasured to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the year adjusted for the effective interest and payments during the year, and the amortized cost in foreign currency translated at the exchange rate at the end of the year.

Exchange differences are generally recognized in profit or loss, except for those differences relating to the following, which are recognized in other comprehensive income:

- an investment in equity securities designated as at fair value through other comprehensive income;
- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent that the hedges are effective.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign currency gains and losses arising from such items are considered to form part of a net investment in the foreign operation and are recognized in other comprehensive income, and presented in the translation reserve in equity.

(e) Classification of current and non-current assets and liabilities

- (i) An asset is classified as current under one of the following criteria, and all other assets are classified as non-current.
 - 1) It expects to realize the asset, or intends to sell or consume it, in its normal operating cycle;
 - 2) It holds the asset primarily for the purpose of trading;
 - 3) It expects to realize the asset within twelve months after the reporting period; or
 - 4) The asset is cash or a cash equivalent unless the asset is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

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TSRC CORPORATION AND SUBSIDIARIES
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- (ii) A liability is classified as current under one of the following criteria, and all other liabilities are classified as non-current.
- 1) It expects to settle the liability in its normal operating cycle;
 - 2) It holds the liability primarily for the purpose of trading;
 - 3) The liability is due to be settled within twelve months after the reporting period even if refinancing or a revised repayment plan is arranged between the reporting date and the issuance date of the financial statements; or
 - 4) It does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances, time deposits, and short-term investments with high liquidity that are subject to an insignificant risk of changes in their fair value.

The time deposits with maturity of one year or less from the acquisition date are listed in cash and cash equivalents because they are held for the purpose of meeting short-term cash commitments instead of investment or other purposes, are readily convertible to a fixed amount of cash, and are subject to an insignificant risk of changes in value.

(g) Financial instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument. A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(i) Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

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

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

1) Financial assets measured at amortized cost

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

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

These assets are subsequently measured at amortized cost, which is the amount at which the financial asset is measured at initial recognition, plus/minus, the cumulative amortization using the effective interest method, adjusted for any loss allowance. Interest income, foreign exchange gains and losses, as well as impairment, are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

2) Fair value through other comprehensive income (FVOCI)

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

Equity investments at FVOCI are subsequently measured at fair value. Dividends are recognized as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognized in other comprehensive income and are never reclassified to profit or loss.

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

3) Fair value through profit or loss (FVTPL)

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

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognized in profit or loss.

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4) Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

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

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

5) Derecognition of financial assets

The Group derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

(ii) Financial liabilities and equity instruments

1) Classification of debt or equity

Debt or equity instruments issued by the Group are classified as financial liabilities or equity in accordance with the substance of the contractual agreement.

2) Equity instrument

Equity instruments refer to surplus equities of the assets after the deduction of all the debts for any contracts. Equity instruments issued are recognized as the amount of consideration received less the direct cost of issuing.

3) Financial liabilities

Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

4) Derecognition of financial liabilities

The Group derecognizes a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognizes a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognized at fair value.

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On derecognition of a financial liability, the difference between the carrying amount of a financial liability extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognized in profit or loss.

5) Offsetting of financial assets and liabilities

The Group presents financial assets and liabilities on a net basis when the Group has the legally enforceable right to offset, and intends to settle such financial assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

6) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder of a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial guarantee contract not designated as at fair value through profit or loss issued by the Group is recognized initially at fair value plus any directly attributable transaction cost. After initial recognition, it is measured at the higher of: (a) the amount of the loss allowance determined in accordance with IFRS 9; and (b) the amount recognized initially less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies set out below.

(iii) Derivative financial instruments and hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognized in profit or loss.

(h) Inventories

The cost of inventories consists of all costs of purchase, costs of conversion, and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories includes an appropriate share of fixed production overhead based on normal capacity and allocated variable production overhead based on actual output. However, unallocated fixed production overhead arising from lower or idle capacity is recognized in cost of goods sold during the period. If actual capacity is higher than normal capacity, fixed production overhead should be allocated based on actual capacity. The method of valuing inventories is the weighted-average method.

Inventories are measured at the lower of cost or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses at the end of the period. When the cost of inventories is higher than the net realizable value, inventories are written down to net realizable value, and the write-down amount is charged to current year's cost of goods sold. If net realizable value increases in the future, the cost of inventories is reversed within the original write-down amount, and such reversal is treated as a reduction of cost of goods sold.

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(i) Investment in associates

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies.

The equity of associates is incorporated in these consolidated financial statements using the equity method. Investments in associates are accounted for using the equity method and are recognized initially at cost. The cost of the investment includes transaction costs. The carrying amount of the investment in associates includes goodwill arising from the acquisition less any accumulated impairment losses.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of those associates, after adjustments to align their accounting policies with those of the Group, from the date on which significant influence commences until the date on which significant influence ceases. The Group recognizes any changes of its proportionate share in the investee within capital surplus, when an associate's equity changes due to reasons other than profit and loss or comprehensive income, which did not result in changes in the Group's proportionate share in the investee.

Gains and losses resulting from transactions between the Group and an associate are recognized only to the extent of unrelated Group's interests in the associate.

When the Group's share of losses of an associate equals or exceeds its interests in an associate, it discontinues recognizing its share of further losses. After the recognized interest is reduced to zero, additional losses are provided for, and a liability is recognized, only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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

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

(j) Joint arrangements

A joint venture is a joint arrangement whereby the Group has joint control of the arrangement (i.e. joint venturers) in which the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities. The Group recognizes its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with IAS 28 "Investments in Associates and Joint Ventures", unless the Group qualifies for exemption from that Standard. Please refer to note 4(i) for the application of the equity method.

The Group determines the type of joint arrangement in which it is involved by considering the structure and form of the arrangement, the separate legal vehicle, the terms agreed by the parties in the contractual arrangement and other facts and circumstances. When the facts and circumstances

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change, the Company reevaluates whether the classification of the joint arrangement has changed.

(k) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalized borrowing costs, less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognized in profit or loss.

(ii) Reclassification to investment properties

Property is reclassified to investment property at its carrying amount when the use of the property changes from owner-occupied to investment property.

(iii) Subsequent cost

Subsequent expenditure is capitalized only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

(iv) Depreciation

Depreciation is calculated on the cost of an asset less its residual value and is recognized in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment.

Land has an unlimited useful life and therefore is not depreciated.

The estimated useful lives, for the current and comparative years, of significant items of property, plant and equipment are as follows:

1) Land improvements	8~30 years
2) Buildings	3~60 years
3) Machinery	3~40 years
4) Furniture and fixtures equipment	3~8 years

Depreciation methods, useful lives, and residual values are reviewed at each reporting date. If expectations differ from the previous estimates, the changes are accounted for as a change in an accounting estimate.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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(l) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services, or for administrative purposes. Investment property is measured at cost on initial recognition, and subsequently at cost, less accumulated depreciation and accumulated impairment losses. Depreciation expense is calculated based on the depreciation method, useful life, and residual value which are the same as those adopted for property, plant and equipment.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognized in profit or loss.

Rental income from investment property is recognized as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognized as an integral part of the total rental income, over the term of the lease.

(m) Leases

Applicable commencing January 1, 2019

(i) Identifying a lease

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

- 1) the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified; and
- 2) the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- 3) the Group has the right to direct use of the asset when it has the decision-making rights that are most relevant to changing how, and for what purpose, the asset is used. In rare cases where the decision about how, and for what purpose, the asset is used is predetermined, the Group has the right to direct the use of an asset if either:
 - the Group has the right to operate the asset throughout the period of use, without the supplier having the right to change those operating instructions; or
 - the Group designed the asset in a way that predetermines how, and for what purpose, it will be used.

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

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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(ii) As a lessee

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

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

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

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

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

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

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

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

(Continued)

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

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

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

(iii) As a lessor

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

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

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

Applicable before January 1, 2019

(i) Lessor

Lease income from an operating lease is recognized in income on a straight-line basis over the lease term.

(ii) Lessee

Leases in which the Group assumes substantially all of the risks and rewards of ownership of leased assets are classified as finance leases. On initial recognition, the lease asset is measured at an amount equal to the lower of its fair value or the present of the minimum lease payments. Subsequent minimum lease payments are attributable to finance cost and the reduction of the outstanding liabilities, and the finance cost is allocated to each period during the lease term using a constant periodic rate of interest on the remaining balance of the liability. The acquisition of property, plant and equipment under a finance lease is accounted for in accordance with the accounting policy applicable to the asset.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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Other leases are operating leases and are not recognized in the Group's statement of financial position. Payments made under an operating lease are recognized in profit or loss on a straight-line basis over the term of the lease.

(n) Intangible assets

(i) Recognition and measurement

Goodwill arising on the acquisition of subsidiaries is measured at cost, less accumulated impairment losses.

Expenditure on research activities is recognized in profit or loss as incurred.

Development expenditure is capitalized only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to, and has sufficient resources to, complete development and to use or sell the asset. Otherwise, it is recognized in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost, less accumulated amortization and any accumulated impairment losses.

Other intangible assets, including customer relationships, patents and trademarks, that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortization and any accumulated impairment losses.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognized in profit or loss as incurred.

(iii) Amortization

Amortization is calculated over the cost of the asset, less its residual value, and is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use.

The estimated useful lives for current and comparative periods are as follows:

1) Computer software	3 years
2) Industrial technology and know-how	10~20 years
3) Patent	20 years
4) Non-compete agreement	3 years
5) Customer relationship	18 years
6) Trademark and goodwill	Uncertain useful lives

Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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(o) Impairment—non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than inventories and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

(p) Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as finance cost.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognizes any impairment loss on the assets associated with that contract.

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(q) Revenue

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

(i) Sale of goods

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

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

(ii) Management services

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

(iii) Financing components

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

(r) Employee benefits

(i) Defined contribution plans

Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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(ii) Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each the plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income, and accumulated in retained earnings within equity. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then-net defined benefit liability (asset). Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

(iii) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(s) Income tax

Income tax expenses include both current taxes and deferred taxes. Except for expenses related to business combinations or recognized directly in equity or other comprehensive income, all current and deferred taxes shall be recognized in profit or loss.

Current taxes comprise the expected tax payables or receivables on the taxable profits (losses) for the year and any adjustment to the tax payable or receivable in respect of previous years. The amount of current tax payables or receivables are the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. It is measured using tax rates enacted or substantively enacted at the reporting date.

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Deferred taxes arise due to temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases. Deferred taxes shall not be recognized for the exceptions below:

- (i) Assets and liabilities that are initially recognized but are not related to the business combination and have no effect on net income or taxable gains (losses) during the transaction;
- (ii) temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- (iii) taxable temporary differences arising on the initial recognition of goodwill.

Deferred taxes are measured at tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date, and reflect uncertainty related to income taxes, if any.

Deferred tax assets and liabilities may be offset against each other if the following criteria are met:

- (i) The entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (ii) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - 1) the same taxable entity; or
 - 2) different taxable entities which intend annually either to settle current tax liabilities and assets on a net basis or to realize the assets and settle the liabilities, simultaneously.

Deferred tax assets are recognized for the carry forward of unused tax losses, unused tax credits, and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realized; such reductions are reversed when the probability of future taxable profits improves.

(t) **Earnings per share**

Earnings per share (EPS) of common stock are calculated by dividing net income (or loss) for the reporting period attributable to common stockholders by the weighted-average number of common shares outstanding during that period. The weighted-average number of common shares outstanding is adjusted retroactively for the increase in common shares outstanding from stock issuance arising from the capitalization of retained earnings, or additional paid-in capital.

Employee bonuses in the form of stock of the Company are potential stock. If the potential stock does not have a dilutive effect, only the basic earnings per share are disclosed; otherwise, diluted earnings per share are disclosed in addition to the basic earnings per share. When computing diluted earnings per share with regard to employee bonuses in the form of stock, the closing price at the reporting date is used as the basis of computation of the number of shares to be issued. When computing diluted earnings per share prior to the following Board of Directors, the effect of dilution from these potential shares is taken into consideration.

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TSRC CORPORATION AND SUBSIDIARIES
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(u) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group). Operating results of the operating segment are regularly reviewed by the Group's chief operating decision maker to formulate a policy of resources allocation for the segment as well as assess its performance. Each operating segment consists of standalone financial information.

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

The preparation of the consolidated financial statements in conformity with the Regulations and the IFRSs 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.

The Management will continually review the estimates and basic assumptions. Changes in accounting estimates will be recognized in the period of change and the future period of their impact.

There are no critical judgments in applying the accounting policies that have significant effect on the amounts recognized in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is as follows:

Inventory measurement

Since inventory is measured by the lower of cost and net realizable value, the Group evaluated the inventory based on the selling price of the product line and price fluctuation of raw material, and written down the book value to net realizable value. Please refer to note 6(f) for inventory measurement.

(6) Description of Significant Accounts

(a) Cash and cash equivalents

	December 31, 2019	December 31, 2018
Cash on hand	\$ 415	433
Checking and savings deposits	973,695	1,593,472
Time deposits	3,571,170	2,933,847
Commercial paper with reverse repurchase agreements	150,000	-
Cash and cash equivalents per statements of cash flow	<u><u>\$ 4,695,280</u></u>	<u><u>4,527,752</u></u>

The disclosure of interest rate risk and sensitivity analysis for the Group's financial assets and liabilities is referred to note 6(z).

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TSRC CORPORATION AND SUBSIDIARIES
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(b) Financial assets and liabilities at fair value through profit or loss

	December 31, 2019	December 31, 2018
Mandatorily measured at fair value through profit or loss:		
Derivative instruments not used for hedging		
Forward contracts/Swap contracts	\$ <u>14</u>	<u>679</u>
	December 31, 2019	December 31, 2018
Financial liabilities held for trading:		
Derivative instruments not used for hedging		
Forward contracts/Swap contracts	\$ <u>5,672</u>	<u>2,066</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:

	December 31, 2019		
	Contract amount (thousand)	Currency	Maturity dates
Forward contracts	\$ 230	EUR/TWD	2020.01.20
Swap contracts	6,700	USD/TWD	2020.01.20
Swap contracts	13,600	USD/EUR	2020.01.08
	December 31, 2018		
	Contract amount (thousand)	Currency	Maturity dates
Swap contracts	\$ 14,960	USD/EUR	2019.01.04~2019.01.29

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

	December 31, 2019	December 31, 2018
Equity investments at fair value through other comprehensive income:		
Listed stocks (domestic)	\$ 115,200	305,631
Unlisted stocks (domestic and overseas)	<u>1,022,688</u>	<u>994,175</u>
Total	\$ <u>1,137,888</u>	<u>1,299,806</u>

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TSRC CORPORATION AND SUBSIDIARIES
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(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 in 2019, the fair value at that time of disposition was \$267,383 thousand and accumulated disposition benefit was \$197,373 thousand; cumulative disposition benefits have been transferred from other equity to retained earnings.

(ii) For dividend income, please refer to note 6(x).

(iii) For market risk, please refer to note 6(aa).

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

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

	Foreign currency amount	Exchange rate	TWD
December 31, 2019			
THB	\$ 349,209	1.0098	352,631
December 31, 2018			
THB	367,531	0.9532	350,331

(d) Notes and accounts receivable

	December 31, 2019	December 31, 2018
Notes receivable	\$ 866,347	558,944
Accounts receivable	2,768,552	2,884,202
Less: allowance for impairment	<u>8,935</u>	<u>10,309</u>
	<u>\$ 3,625,964</u>	<u>3,432,837</u>

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

	December 31, 2019		
		Weighted- average	
	Gross carrying amount	expected credit loss rate	Loss allowance provision
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
	<u>\$ 3,634,899</u>		<u>8,935</u>
	December 31, 2018		
		Weighted- average	
	Gross carrying amount	expected credit loss rate	Loss allowance provision
Current	\$ 3,364,574	0.04%~0.33%	3,417
1 to 30 days past due	60,182	0.45%~16.31%	1,996
31 to 90 days past due	17,659	5.98%~65.24%	4,165
More than 90 days past	731	100%	731
	<u>\$ 3,443,146</u>		<u>10,309</u>

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

	2019	2018
Balance on January 1, 2019 and 2018	\$ 10,309	279
Impairment losses recognized (reversed)	(1,193)	10,214
Amounts written off	-	(279)
Foreign exchange gain (loss)	(181)	95
Balance on December 31, 2019 and 2018	<u>\$ 8,935</u>	<u>10,309</u>

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

The carrying amounts of notes and accounts receivable with short maturity are not discounted under the assumption that the carrying amount approximates the fair value.

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TSRC CORPORATION AND SUBSIDIARIES
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(e) Other receivables (including related parties)

	December 31, 2019	December 31, 2018
Other receivables—related parties	\$ 42,490	42,427
Other	<u>93,861</u>	<u>48,968</u>
	<u>\$ 136,351</u>	<u>91,395</u>

As of December 31, 2019 and 2018, the Group had no other receivables that were past due. Therefore, no provisions for doubtful debt were required after the management's assessment. For other credit risk information, please refers to note 6(z).

(f) Inventories

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

	December 31, 2019	December 31, 2018
Raw materials	\$ 2,188,339	1,713,308
Supplies	108,038	102,599
Work in progress	315,411	370,562
Finished goods	3,199,202	3,576,007
Merchandise	<u>603,689</u>	<u>686,887</u>
Total	<u>\$ 6,414,679</u>	<u>6,449,363</u>

As of December 31, 2019 and 2018, the Group did not pledge any collateral on inventories.

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

	2019	2018
Loss on (reversal of) decline in market value of inventory	\$ (16,715)	35,089
Income from sale of scrap	(33,354)	(58,932)
Loss on physical count	5,144	446
Unallocated production overhead	<u>108,156</u>	<u>62,666</u>
Total	<u>\$ 63,231</u>	<u>39,269</u>

During the year ended December 31, 2019, the sales and consumption led to the reversal of write-downs of inventories.

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(g) Investments accounted for under equity method

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

	December 31, 2019	December 31, 2018
Associates	\$ 635,619	628,467
Joint ventures	462,972	438,911
	<u>\$ 1,098,591</u>	<u>1,067,378</u>

(i) Associates

For the years ended December 31, 2019 and 2018, the Group recognized its share of gain from the associates of \$102,248 thousand and \$104,521 thousand, respectively.

The details of the significant associates are as follows:

Name of associates	Existing relationship with the Group	The main operating place / register country	Proportion of equity and voting right	
			December 31, 2019	December 31, 2018
Indian Synthetic Rubber Private Limited	Strategic alliance of production and sales of synthetic rubber products	India	50.00 % (Note 1)	50.00 % (Note 1)
ARLANXEO-TSRC (Nantong) Chemicals Industries Co., Ltd.	Strategic alliance of production and sales of NBR	China	50.00 %	50.00 %

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

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

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

On April 10, 2018, the Group acquired 15.96% ownership of Indian Synthetic Rubber Private Limited from other shareholders, and the Group recognized the gain from bargain purchase amounting to \$11,820 thousand. After the acquisition transaction, the Group owns 50% of Indian Synthetic Rubber Private Limited, which has been reclassified from associate to joint venture, but still listed as investments accounted for under equity method.

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

	2018
Beginning equity of the associate attributable to the Group	\$ 205,093
Current total comprehensive income of the associate attributable to the Group	12,303
Other	(4,109)
Associate reclassified to joint venture	(213,287)
Ending balance of the equity of the associate attributable to the Group	<u>\$ -</u>

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

	December 31, 2019	December 31, 2018
Current assets	\$ 474,992	716,347
Non-current assets	749,274	822,219
Current liabilities	(738,296)	(1,094,043)
Non-current liabilities	(31,907)	(13,709)
Equity	<u>\$ 454,063</u>	<u>430,814</u>
Equity attributable to the Group	<u>\$ 227,031</u>	<u>215,407</u>

	2019	2018
Revenue	<u>\$ 1,860,022</u>	<u>2,062,759</u>
Net income of continued operations	39,130	79,204
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ 39,130</u>	<u>79,204</u>
Total comprehensive income attributable to the Group	<u>\$ 19,565</u>	<u>39,602</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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	2019	2018
Beginning equity of the associate attributable to the Group	\$ 219,835	181,347
Current total comprehensive income (loss) of the associate attributable to the Group	19,565	39,602
Other	(8,289)	(1,114)
Ending balance of the equity of the associate attributable to the Group	<u><u>\$ 231,111</u></u>	<u><u>219,835</u></u>

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

	December 31, 2019	December 31, 2018
Balance of not significant associate's equity	<u><u>\$ 404,508</u></u>	<u><u>408,632</u></u>
	2019	2018
Attributable to the Group:		
Income from continued operations	\$ 82,683	52,616
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u><u>\$ 82,683</u></u>	<u><u>52,616</u></u>

(ii) Joint ventures

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

	December 31, 2019	December 31, 2018
Current assets	\$ 1,515,686	2,663,769
Non-current assets	3,445,188	3,484,344
Current liabilities	(1,986,515)	(2,424,997)
Non-current liabilities	(2,079,302)	(2,910,295)
Equity	<u><u>\$ 895,057</u></u>	<u><u>812,821</u></u>
Equity attributable to the Group	<u><u>\$ 447,528</u></u>	<u><u>406,411</u></u>
		For the nine months ended December 31,
	2019	2018
Revenue	<u><u>\$ 4,509,180</u></u>	<u><u>4,126,045</u></u>
Net income of continued operations	\$ 148,699	413,944
Other comprehensive income (loss)	(29,776)	(157,496)
Total comprehensive income (loss)	<u><u>\$ 118,923</u></u>	<u><u>256,448</u></u>
Total comprehensive income attributable to the Group	<u><u>\$ 59,462</u></u>	<u><u>109,926</u></u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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	2019	For the nine months ended December 31, 2018
Beginning equity of the joint venture attributable to the Group	\$ 363,141	-
Joint venture reclassified from associate	-	213,287
Current total comprehensive income (loss) of the joint venture attributable to the Group	59,462	109,926
Other	(26,064)	39,928
Ending balance of the equity of the joint venture attributable to the Group	<u>\$ 396,539</u>	<u>363,141</u>

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

	December 31, 2019	December 31, 2018
Balance of not significant joint venture's equity	<u>\$ 66,433</u>	<u>75,770</u>
Attributable to the Group:	<u>2019</u>	<u>2018</u>
Income from continued operations	\$ 7,528	4,525
Other comprehensive income (loss)	-	-
Total comprehensive income (loss)	<u>\$ 7,528</u>	<u>4,525</u>

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

(iii) Collateral

As of December 31, 2019 and 2018, the Group did not pledge any collateral on investments accounted for under the equity method.

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Notes to the Consolidated Financial Statements

(h) Property, plant and equipment

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

	Land	Land improvements	Buildings	Machinery	Furniture and fixtures and other equipment	Leased assets	Construction in progress	Total
Cost:								
Balance at January 1, 2019	\$ 614,101	106,999	3,998,164	20,282,127	228,273	94,596	1,210,859	26,535,119
Additions	-	-	-	18,710	237	-	2,436,899	2,455,846
Disposals	-	-	(476)	(174,326)	(7,985)	-	-	(182,787)
Reclassification	-	37,174	148,780	548,816	28,392	(94,596)	(770,629)	(102,063)
Effect of changes in exchange rates	-	(474)	(95,446)	(342,516)	(3,928)	-	(32,158)	(474,522)
Balance at December 31, 2019	<u>\$ 614,101</u>	<u>143,699</u>	<u>4,051,022</u>	<u>20,332,811</u>	<u>244,989</u>	<u>-</u>	<u>2,844,971</u>	<u>28,231,593</u>
Balance at January 1, 2018	\$ 614,101	106,131	4,048,091	19,944,375	217,074	94,596	566,082	25,590,450
Additions	-	-	-	4,791	254	-	1,209,361	1,214,406
Disposals	-	-	(1,035)	(114,721)	(1,889)	-	-	(117,645)
Reclassification	-	199	11,310	512,270	13,227	-	(560,479)	(23,473)
Effect of changes in exchange rates	-	669	(60,202)	(64,588)	(393)	-	(4,105)	(128,619)
Balance at December 31, 2018	<u>\$ 614,101</u>	<u>106,999</u>	<u>3,998,164</u>	<u>20,282,127</u>	<u>228,273</u>	<u>94,596</u>	<u>1,210,859</u>	<u>26,535,119</u>
Depreciation and impairment loss:								
Balance at January 1, 2019	\$ -	88,237	2,236,682	15,270,710	170,641	-	-	17,766,270
Depreciation	-	2,525	129,079	727,445	14,688	-	-	873,737
Disposal	-	-	(241)	(139,256)	(7,166)	-	-	(146,663)
Effect of changes in exchange rates	-	(469)	(50,900)	(244,558)	(3,219)	-	-	(299,146)
Balance at December 31, 2019	<u>\$ -</u>	<u>90,293</u>	<u>2,314,620</u>	<u>15,614,341</u>	<u>174,944</u>	<u>-</u>	<u>-</u>	<u>18,194,198</u>
Balance at January 1, 2018	\$ -	85,133	2,134,269	14,652,082	160,257	-	-	17,031,741
Depreciation	-	2,446	131,216	714,097	12,090	-	-	859,849
Disposal	-	-	(1,035)	(90,361)	(1,698)	-	-	(93,094)
Effect of changes in exchange rates	-	658	(27,768)	(5,108)	(8)	-	-	(32,226)
Balance at December 31, 2018	<u>\$ -</u>	<u>88,237</u>	<u>2,236,682</u>	<u>15,270,710</u>	<u>170,641</u>	<u>-</u>	<u>-</u>	<u>17,766,270</u>
Carrying value:								
December 31, 2019	<u>\$ 614,101</u>	<u>53,406</u>	<u>1,736,402</u>	<u>4,718,470</u>	<u>70,045</u>	<u>-</u>	<u>2,844,971</u>	<u>10,037,395</u>
January 1, 2018	<u>\$ 614,101</u>	<u>20,998</u>	<u>1,913,822</u>	<u>5,292,293</u>	<u>56,817</u>	<u>94,596</u>	<u>566,082</u>	<u>8,558,709</u>
December 31, 2018	<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>

The Group performed the asset impairment test by estimating the future cash flows. Impairment loss was recognized thereon as the estimated amount of future cash flows was less than the carrying value.

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

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TSRC CORPORATION AND SUBSIDIARIES
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(i) Right-of-use assets

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

	<u>Land</u>	<u>Building</u>	<u>Machinery</u>	<u>Transportation equipment</u>	<u>Total</u>
Cost:					
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	681,888	396,904	565,489	29,829	1,674,110
Balance at January 1, 2019	681,888	396,904	565,489	29,829	1,674,110
Additions	181	3,304	-	5,024	8,509
Lease modification	-	-	(491)	-	(491)
Amortization to operating costs and inventories	-	(8,163)	(76,529)	-	(84,692)
Effect of changes in foreign exchange rates	(18,361)	(8,120)	(16,626)	(637)	(43,744)
Balance at December 31, 2019	<u>\$ 663,708</u>	<u>383,925</u>	<u>471,843</u>	<u>34,216</u>	<u>1,553,692</u>
Accumulated depreciation and impairment losses:					
Balance at January 1, 2019	\$ -	-	-	-	-
Effects of retrospective application	120,302	-	-	-	120,302
Balance at January 1, 2019	120,302	-	-	-	120,302
Depreciation	14,397	69,862	14,946	9,291	108,496
Effect of changes in exchange rates	(4,509)	(1,546)	(395)	(227)	(6,677)
Balance at December 31, 2019	<u>\$ 130,190</u>	<u>68,316</u>	<u>14,551</u>	<u>9,064</u>	<u>222,121</u>
Carrying value:					
December 31, 2019	<u>\$ 533,518</u>	<u>315,609</u>	<u>457,292</u>	<u>25,152</u>	<u>1,331,571</u>

The Group leases land under a finance lease, which is classified as property, plant and equipment; the land lease prepayment is recorded as the other non-current assets, the related information is provided in notes 6(h) and 6(l) to the consolidated financial statements for the year ended December 31, 2018. The Group leases offices and factory facilities under an operating lease, please refer to note 6(p).

(j) Investment property

	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Cost:			
Balance as at January 1, 2019	\$ 1,073,579	741,889	1,815,468
Additions	-	-	-
Balance as at December 31, 2019	<u>\$ 1,073,579</u>	<u>741,889</u>	<u>1,815,468</u>
Balance as at January 1, 2018	\$ 1,073,579	741,889	1,815,468
Additions	-	-	-
Balance as at December 31, 2018	<u>\$ 1,073,579</u>	<u>741,889</u>	<u>1,815,468</u>
Depreciation:			
Balance as at January 1, 2019	\$ -	219,144	219,144
Depreciation	-	14,725	14,725
Balance as at December 31, 2019	<u>\$ -</u>	<u>233,869</u>	<u>233,869</u>
Balance as at January 1, 2018	\$ -	204,418	204,418
Depreciation	-	14,726	14,726
Balance as at December 31, 2018	<u>\$ -</u>	<u>219,144</u>	<u>219,144</u>

(Continued)

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	<u>Land</u>	<u>Buildings</u>	<u>Total</u>
Carrying value:			
Balance as at December 31, 2019	\$ <u>1,073,579</u>	<u>508,020</u>	<u>1,581,599</u>
Balance as at December 31, 2018	\$ <u>1,073,579</u>	<u>522,745</u>	<u>1,596,324</u>
Balance as at January 1, 2018	\$ <u>1,073,579</u>	<u>537,471</u>	<u>1,611,050</u>
Fair value:			
Balance as at December 31, 2019			\$ <u>3,334,675</u>
Balance as at December 31, 2018			\$ <u>3,334,675</u>
Balance as at January 1, 2018			\$ <u>3,334,675</u>

Investment property comprises a number of commercial properties that are leased to third parties. Each of the leases contains an initial non-cancellable period of 1~5 years. Subsequent renewals are negotiable with the lessee, and no contingent rents are charged. Please refer to note 6(w) for further information.

The fair value of investment property (as disclosed in the financial statements) is based on a valuation by an independent appraiser. The range of yields applied to the net annual rentals to determine the fair value of the property were as follows:

<u>Region</u>	<u>2019</u>	<u>2018</u>
Da'an Dist., Taipei City	2.10%	2.10%

The Group has rented out a parcel of vacant land, but has decided not to treat this property as investment property because it is out not the Group's intention to hold it for capital appreciation or rental income. Accordingly, the property is still recorded under property, plant and equipment.

As of December 31, 2019 and 2018, the Group did not pledge any collateral on investment properties.

(k) Intangible assets

The cost and amortization of the intangible assets of the Group were as follows:

	<u>Industrial technology and know- how</u>	<u>Computer software</u>	<u>Goodwill</u>	<u>Patent and trademark</u>	<u>Customer relationship</u>	<u>Non- compete agreement</u>	<u>Total</u>
Costs:							
Balance at January 1, 2019	\$ 1,021,038	244,543	211,100	604,885	1,103,315	9,220	3,194,101
Disposals	-	(688)	-	-	-	-	(688)
Reclassification	-	5,529	-	-	-	-	5,529
Effect of changes in exchange rates	(26,003)	(2,552)	(4,307)	(12,342)	(22,510)	(188)	(67,902)
Balance at December 31, 2019	\$ <u>995,035</u>	<u>246,832</u>	<u>206,793</u>	<u>592,543</u>	<u>1,080,805</u>	<u>9,032</u>	<u>3,131,040</u>
Balance at January 1, 2018	\$ 1,003,145	236,986	205,021	587,467	1,071,543	8,954	3,113,116
Reclassification	-	9,260	-	-	-	-	9,260
Effect of changes in exchange rates	17,893	(1,703)	6,079	17,418	31,772	266	71,725
Balance at December 31, 2018	\$ <u>1,021,038</u>	<u>244,543</u>	<u>211,100</u>	<u>604,885</u>	<u>1,103,315</u>	<u>9,220</u>	<u>3,194,101</u>

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	Industrial technology and know- how	Computer software	Goodwill	Patent and trademark	Customer relationship	Non- competes agreement	Total
Amortization:							
Balance at January 1, 2019	\$ 458,237	219,742	-	180,282	475,019	9,220	1,342,500
Disposals	-	(688)	-	-	-	-	(688)
Amortization	50,065	18,197	-	24,274	61,674	-	154,210
Effect of changes in exchange rates	(16,531)	(2,506)	-	(4,321)	(11,321)	(188)	(34,867)
Balance at December 31, 2019	<u>\$ 491,771</u>	<u>234,745</u>	<u>-</u>	<u>200,235</u>	<u>525,372</u>	<u>9,032</u>	<u>1,461,155</u>
Balance at January 1, 2018	\$ 406,994	201,328	-	151,661	401,829	8,954	1,170,766
Amortization	48,724	20,126	-	23,664	60,126	-	152,640
Effect of changes in exchange rates	2,519	(1,712)	-	4,957	13,064	266	19,094
Balance at December 31, 2018	<u>\$ 458,237</u>	<u>219,742</u>	<u>-</u>	<u>180,282</u>	<u>475,019</u>	<u>9,220</u>	<u>1,342,500</u>
Carrying value:							
December 31, 2019	<u>\$ 503,264</u>	<u>12,087</u>	<u>206,793</u>	<u>392,308</u>	<u>555,433</u>	<u>-</u>	<u>1,669,885</u>
December 31, 2018	<u>\$ 562,801</u>	<u>24,801</u>	<u>211,100</u>	<u>424,603</u>	<u>628,296</u>	<u>-</u>	<u>1,851,601</u>
January 1, 2018	<u>\$ 596,151</u>	<u>35,658</u>	<u>205,021</u>	<u>435,806</u>	<u>669,714</u>	<u>-</u>	<u>1,942,350</u>

(i) In 2019 and 2018, the amortization of intangible assets were as follows:

	2019	2018
Operating costs	\$ 6,081	6,422
Operating expenses	148,129	146,218
	<u>\$ 154,210</u>	<u>152,640</u>

(ii) Impairment Loss

In accordance with IAS 36 “impairment of assets,” the Group assesses the impairment loss of intangible assets, goodwill and trademark, at the end of each reporting period. The recoverable amount of the cash generating unit is the expected discount present value of future cash inflows. As of December 31, 2019 and 2018, based on the result of the assessment of the Group, the recoverable amount of the cash-generating unit was higher than the carrying value. Therefore, there was no impairment loss.

When the Group performs impairment testing, the value in use of cash generating unit is estimated based on the following key assumptions to assess the recoverable amount.

- 1) operating results, and the financial budget.
- 2) Forecast of operating revenue, operating cost, and operating expenses are based on the future operational plan, with consideration on the changes and competition in the market industry.
- 3) For the years 2019 and 2018, the discount rates for the present value of recoverable amounts were 9% and 8%, respectively.

(iii) The Group did not pledge any collateral on intangible assets.

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(l) Prepaid rent

	Land lease prepayment
Cost:	
January 1, 2018	\$ 490,235
Reclassification	75,153
Effects of changes in exchange rates	(11,199)
December 31, 2018	<u><u>\$ 554,189</u></u>
Amortization:	
January 1, 2018	\$ 113,288
Amortization	9,768
Effects of changes in exchange rates	(2,754)
December 31, 2018	<u><u>\$ 120,302</u></u>
Carrying value:	
December 31, 2018	<u><u>\$ 433,887</u></u>
January 1, 2018	<u><u>\$ 376,947</u></u>
December 31, 2018	
Current	\$ 11,454
Non-current	422,433
	<u><u>\$ 433,887</u></u>

As of December 31, 2018, the Group's prepaid rent was not provided as pledged assets for long-term borrowings and credit lines. As of December 31, 2019, for the finance prepaid rent information, please refer to note 6(i).

(m) Short-term and long-term borrowings

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

(i) Short-term borrowings

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

	December 31, 2018		
	Range of interest rates (%)	Year of maturity	Amount
Unsecured loans	0.55~5.66	2019	<u><u>\$ 4,147,772</u></u>

The abovementioned short-term borrowings were to mature within one year.

As of December 31, 2019 and 2018, the unused credit facilities (including credit lines for short-term commercial paper payable) amounted to \$16,600,631 thousand and \$15,664,492 thousand, respectively.

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(ii) Long-term borrowings

1) Long-term bank borrowings

December 31, 2019				
	Currency	Range of interest rates (%)	Year of maturity	Amount
Secured loans	USD	3.26~4.38	2020~2023	\$ 991,113
Unsecured loans	NTD	1.12~1.45	2020~2023	3,450,000
Unsecured loans	CNY	5.08	2020~2022	518,827
Total				<u><u>\$ 4,959,940</u></u>
Current				\$ 287,235
Non-current				4,672,705
Total				<u><u>\$ 4,959,940</u></u>

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

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

December 31, 2019			
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CTBC Bank	1.327	\$ 350,000
Less: discount			713
Total			<u><u>\$ 349,287</u></u>

December 31, 2018			
	Guarantee or acceptance institution	Range of interest rates (%)	Amount
Commercial paper payable	CTBC Bank	1.2457	\$ 500,000
Less: discount			307
Total			<u><u>\$ 499,693</u></u>

The Group disclosed the related risk exposure to the financial instruments in note 6(z).

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(iii) Collateral of loans

The Group pledged certain assets for the loans. Please refer to note 8 for additional information.

(iv) Finance lease liabilities

The Group has entered into a lease contract for leasing a parcel of land from the Industrial Development Bureau of the Ministry of Economic Affairs for the period from June 29, 2004, to June 28, 2024. During the term of the lease, the Group has an option to purchase the rented land from the Industrial Development Bureau of the Ministry of Economic Affairs through a formal application. Once the application is approved, the rental and deposit paid during the lease period can be offset against the purchase price. The Group intends to purchase the rented land after the contract expires. The Group intends to purchase the lease land after the expiry of the lease contract period, so it adopts the finance lease. The Group intends to purchase the lease land in 2020, for more information please refer to note 11. As of December 31, 2019, for the relevant lease liabilities information, please refer to note 6(o).

The finance lease liabilities payable were as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
December 31, 2018			
Less than one year	\$ 7,064	77	6,987
Between one and five years	28,256	1,054	27,202
More than five years	<u>3,532</u>	<u>1,883</u>	<u>1,649</u>
	<u>\$ 38,852</u>	<u>3,014</u>	<u>35,838</u>

(n) Current provisions (recorded as other payable)

	Provision for defective products
Balance at January 1, 2019	\$ 27,128
Increase in provisions	25,936
Provisions recognized	(2,211)
Reversal of unused provisions	(32,434)
Effect of changes in exchange rates	<u>(402)</u>
Balance at December 31, 2019	<u>\$ 18,017</u>
Balance at January 1, 2018	\$ 28,324
Increase in provisions	33,103
Provisions recognized	(1,466)
Reversal of unused provisions	(32,563)
Effect of changes in exchange rates	<u>(270)</u>
Balance at December 31, 2018	<u>\$ 27,128</u>

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(o) Lease liabilities

The Group's lease liabilities were as follow:

	December 31, 2019
Current	<u>\$ 175,942</u>
Non-current	<u>\$ 685,689</u>

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

The amounts recognized in profit or loss were as follows:

	2019
Interest on lease liabilities	<u>\$ 10,400</u>
Expenses relating to short-term leases	<u>\$ 3,012</u>
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	<u>\$ 24,763</u>

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

	2019
Total cash outflow for leases	<u>\$ 233,346</u>

(p) Operating leases

(i) Lessee

Non-cancellable rental payables of operating leases were as follows:

	December 31, 2018
Less than five years	<u>\$ 247,585</u>
More than five years	<u>126,856</u>
	<u>\$ 374,441</u>

The Company leases offices and factory facilities under operating leases. The leases typically run for a period of 1 to 20 years, with an option to renew the lease upon expiry. The lease payment will be adjusted to reflect market price when renewing the contract.

For the year ended December 31, 2018, lease expenses was \$103,860 thousand.

(ii) Lessor

The Company leases out its investment property. The Group has classified these leases as operating leases, because it does not transfer substantially all of the risks and rewards incidental to the ownership of the assets; please refer to note 6(j).

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A maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date are as follows:

	December 31, 2019
Less than one year	\$ 55,154
One to two years	53,406
Two to three years	52,805
Three to four years	48,362
Four to five years	35,293
More than five years	<u>9,953</u>
Total undiscounted lease payments	<u><u>\$ 254,973</u></u>

The future minimum lease payments under non-cancellable leases are as follows:

	December 31, 2018
More than five years	<u><u>\$ 68,626</u></u>

(q) Employee benefits

(i) Defined benefit plans

The following table shows a reconciliation between the present value of the defined benefit obligation and the fair value of plan assets:

	December 31, 2019	December 31, 2018
The present value of the defined benefit obligations	\$ 615,154	607,256
Fair value of plan assets	<u>(504,256)</u>	<u>(467,801)</u>
The net defined benefit liability	<u><u>\$ 110,898</u></u>	<u><u>139,455</u></u>

The Group established the pension fund account for the defined benefit plan in Bank of Taiwan. The plan, under the Labor Standards Law, provides benefits based on an employee's length of service and average monthly salary for the six-month period prior to retirement.

1) Composition of plan assets

The Group allocates pension funds in accordance with the Regulations for Revenues, Expenditures, Safeguard and Utilization of the Labor Retirement Fund, and such funds are managed by the Bureau of Labor Funds, Ministry of Labors. Minimum annual distributions of the funds by the Bureau shall be no less than the earnings attainable from the two-year time deposits with the interest rates offered by local banks.

The Group's Bank of Taiwan labor pension reserve account balance amounted to \$504,256 thousand at the end of the reporting period. For information on the utilization of the labor pension fund assets including the asset allocation and yield of the fund, please refer to the website of the Bureau of Labor Funds, Ministry of Labor.

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2) Movements in present value of defined benefit plan obligation

The movements in present value of the Group's defined benefit plan obligation for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Defined benefit obligation as of 1 January	\$ 607,256	598,028
Current service costs and interest	12,664	14,742
Remeasurements of net defined benefit liability (asset)		
— Return on plan assets (excluding current interest expense)	16,393	21,429
— Due to changes in financial assumption of actuarial (losses) gains	20,478	12,848
Benefits paid by the plan	(41,637)	(39,791)
Defined benefit obligation as of 31 December	<u>\$ 615,154</u>	<u>607,256</u>

3) Movements in fair value of defined benefit plan assets

The movements in the fair value of the defined benefit plan assets for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Fair value of plan assets as of January 1	\$ 467,801	423,675
	5,111	5,668
Remeasurements of net defined benefit liability (asset)		
— Return on plan assets (excluding current interest expense)	16,393	12,423
Contributions made	56,588	65,827
Benefits paid by the plan	(41,637)	(39,791)
Fair value of plan assets as of December 31	<u>\$ 504,256</u>	<u>467,802</u>

4) Expenses recognized in profit or loss

The expenses recognized on profit or loss for the years ended December 31, 2019 and 2018, were as follows:

	2019	2018
Current service cost	\$ 6,009	6,710
Net interest on the defined benefit liability (asset)	1,544	2,365
	<u>\$ 7,553</u>	<u>9,075</u>

(Continued)

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

	2019	2018
Operating costs	\$ 4,573	5,555
Operating expenses	2,383	3,089
Other income and expenses	367	222
Other	230	209
	<u>\$ 7,553</u>	<u>9,075</u>

- 5) Remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income

The Group's remeasurement of the net defined benefit liability (asset) recognized in other comprehensive income for the years ended December 31, 2019 and 2018 were as follows:

	2019	2018
Balance of January 1	\$ (200,311)	(178,457)
Recognized during the period	(20,478)	(21,854)
Balance of December 31	<u>\$ (220,789)</u>	<u>(200,311)</u>

- 6) Actuarial assumptions

The following are the Group's principal actuarial assumptions:

	December 31, 2019	December 31, 2018
Discount rate	1.000 %	1.125 %
Future salary increases rate	1.500 %	1.500 %

The Group expects to make contributions of \$61,731 thousand to the defined benefit plans in the next year starting from the reporting date of 2019.

The weighted average duration of the defined benefit plan is 10.65 years.

- 7) Sensitivity analysis

When calculating the present value of the defined benefit obligation, the Group uses judgments and estimations to determine the related actuarial assumptions, including discount rate, employee turnover rates and future salary changes, as of the balance sheet date. Any changes in the actuarial assumptions may significantly impact the amount of the defined benefit obligation.

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As of December 31, 2019 and 2018, the effects of the present value of the defined benefit obligation arising from changes in principal actuarial assumptions were as follows:

	The impact of defined benefit obligation	
	Increase 0.25%	Decrease 0.25%
December 31, 2019		
Discount rate	\$ (12,334)	12,751
Future salary increase rate	12,266	(11,932)
December 31, 2018		
Discount rate	(12,848)	13,291
Future salary increase rate	12,819	(12,450)

Reasonably possible changes at the reporting date to one of the relevant actuarial assumptions, holding other assumptions remain constant, would have affected the defined benefit obligation by the amounts shown above. The method used in the sensitivity analysis is consistent with the calculation of the pension liabilities in the balance sheets.

The method and assumptions used on current sensitivity analysis is the same as those of the prior year.

(ii) Defined contribution plans

The Group has made monthly contributions equal to 6% of each employee's monthly wages to the labor pension personal account at the Bureau of the Labor Insurance in accordance with the provisions of the Labor Pension Act. Under this defined contribution plan, the Group contributes a fixed amount to the Bureau of the Labor Insurance without additional legal or constructive obligations.

The Group's pension costs under the defined contribution plan were \$108,450 thousand and \$101,634 thousand for the years 2019 and 2018, respectively. Payments were made to the Bureau of Labor Insurance and to local government for the overseas subsidiaries.

(iii) Short-term employee benefit liabilities

	December 31, 2019	December 31, 2018
Compensated absence liabilities	<u>\$ 44,926</u>	<u>39,821</u>

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(r) Income tax

(i) Income tax expenses

The amount of the Group's income tax for the years ended December 31, 2019 and 2018, were as follows:

	<u>2019</u>	<u>2018</u>
Current income tax expense		
Current period	\$ 254,069	310,548
Adjustment for prior periods	<u>(230)</u>	<u>7,924</u>
	<u>253,839</u>	<u>318,472</u>
Deferred tax expense		
Origination and reversal of temporary differences	<u>183,679</u>	<u>78,301</u>
Income tax expenses of continued operations	<u><u>\$ 437,518</u></u>	<u><u>396,773</u></u>

Reconciliations of the Group's income tax expense (benefit) and the profit before tax for 2019 and 2018 were as follows:

	<u>2019</u>	<u>2018</u>
Income before tax	<u>\$ 1,254,638</u>	<u>1,630,443</u>
Income tax calculated on pretax accounting income at statutory rate	\$ 250,928	326,087
Effect of tax rates in foreign jurisdiction	39,149	42,714
Dividend income	(11,625)	(10,885)
Adjustment for prior periods	(230)	7,924
Domestic investment loss	-	(94,488)
Foreign investment income	125,766	(20,264)
R&D tax credits utilized	(9,000)	(7,900)
Surtax on unappropriated earnings	7,105	-
Withholding tax of revenue from overseas	33,630	35,076
Adjustment of tax rates	-	51,772
Current-year losses for which no deferred income tax asset was recognized	-	80,800
Change in unrecognized temporary differences	1,883	7,117
Income basic tax	7,147	-
Others	<u>(7,235)</u>	<u>(21,180)</u>
Total	<u><u>\$ 437,518</u></u>	<u><u>396,773</u></u>

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(ii) Recognized deferred tax assets and liabilities

1) Unrecognized deferred tax assets

The Group deferred tax assets have not been recognized in respect of the following items:

	December 31, 2019	December 31, 2018
Tax effect of deductible Temporary Differences	\$ 9,000	7,117
The carryforward of unused tax losses	<u>60,276</u>	<u>80,800</u>
	<u>\$ 69,276</u>	<u>87,917</u>

Under the income tax rate, tax losses can be carried forward for ten years to offset taxable income after permitted by domestic tax authority. Deferred income tax assets have not been recognized in respect of these items because it is not probable that the future taxable profit will be available, against which, the Group can utilize the benefits therefrom.

As of December 31, 2019, the amount of tax losses not yet recognized as deferred tax assets and their credit for the previous year is as follows:

<u>Year</u>	<u>Amount</u>	<u>Year of expiration</u>
2016	\$ 45,823	2026
2018	<u>255,559</u>	2028
	<u>\$ 301,382</u>	

2) Recognized deferred income tax assets and liabilities

Changes in the amount of deferred income tax assets and liabilities for 2019 and 2018 were as follows:

Deferred tax assets:

	<u>Defined benefit plans</u>	<u>Allowance for inventory valuation</u>	<u>Loss carryforward</u>	<u>Others</u>	<u>Total</u>
Balance at January 1, 2019	\$ 23,520	53,214	57,394	110,191	244,319
Recognized in profit or loss	<u>(9,789)</u>	<u>(2,462)</u>	<u>(3,872)</u>	<u>(7,757)</u>	<u>(23,880)</u>
Balance at December 31, 2019	<u>\$ 13,731</u>	<u>50,752</u>	<u>53,522</u>	<u>102,434</u>	<u>220,439</u>
Balance at January 1, 2018	\$ 30,053	46,542	66,262	149,641	292,498
Recognized in profit or loss	<u>(6,533)</u>	<u>6,672</u>	<u>(8,868)</u>	<u>(39,450)</u>	<u>(48,179)</u>
Balance at December 31, 2018	<u>\$ 23,520</u>	<u>53,214</u>	<u>57,394</u>	<u>110,191</u>	<u>244,319</u>

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TSRC CORPORATION AND SUBSIDIARIES
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Deferred tax liabilities:

	Foreign investment income accounted for under equity method	Depreciation difference between financial and tax reporting	Land value increment tax	Others	Total
Balance at January 1, 2019	\$ 427,475	95,256	56,683	116,268	695,682
Recognized in profit or loss	159,213	(25,848)	-	26,434	159,799
Balance at December 31, 2019	<u>\$ 586,688</u>	<u>69,408</u>	<u>56,683</u>	<u>142,702</u>	<u>855,481</u>
Balance at January 1, 2018	\$ 324,654	93,866	56,683	190,357	665,560
Recognized in profit or loss	102,821	1,390	-	(74,089)	30,122
Balance at December 31, 2018	<u>\$ 427,475</u>	<u>95,256</u>	<u>56,683</u>	<u>116,268</u>	<u>695,682</u>

(iii) Examination and approval

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

(s) Capital and other equity

(i) Capital

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

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

As of December 31, 2019 and 2018, 825,709,978 shares of ordinary were issued.

(ii) Additional paid-in capital

The components of additional paid-in capital as of December 31, 2019 and 2018, were as follows:

	December 31, 2019	December 31, 2018
Share premium	\$ 849	849
Overaging unclaimed dividends	46,291	44,309
	<u>\$ 47,140</u>	<u>45,158</u>

In accordance with the ROC Company Act, realized capital surplus can be used to increase share capital or to distribute as cash dividends after offsetting losses. The aforementioned capital surplus includes share premiums and donation gains. In accordance with the Securities Offering and Issuance Guidelines, the amount of capital surplus to increase share capital shall not exceed 10 percent of the actual share capital amount.

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(iii) Retained earnings

1) Legal reserve

The ROC Company Act stipulates that companies must retain 10% of their annual net earnings, as defined in the Act, until such retention equals the amount of issued share capital. When a company incurs no loss, it may, pursuant to a resolution to be adopted by the shareholders' meeting as required, distribute its legal reserve by issuing new shares or cash. Only the portion of legal reserve which exceeds 25% of the issued share capital may be distributed. In accordance with Rule No. 10802432410 issued by Ministry of Economic Affairs, R.O.C on January 9, 2020, the Company has to apply the profit distribution based on its financial statements in 2019, wherein the Company shall use the amount of net profit after tax, plus, those net amounts other than the net profits, which are recognized as undistributed surplus earnings, as the basis for the legal reserve.

2) Special earnings reserve

By choosing to apply exemptions granted under IFRS 1 First-time Adoption of International Financial Reporting Standards during the Company's first-time adoption of the IFRSs endorsed by the FSC, unrealized revaluation gains recognized under shareholders' equity and cumulative translation adjustments (gains) were reclassified to retained earnings at the adoption date. In accordance with Ruling No. 1010012865 issued by the FSC on April 6, 2012, an increase in retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC shall be reclassified as a special earnings reserve during earnings distribution. However, when adjusted retained earnings due to the first-time adoption of the IFRSs endorsed by the FSC are insufficient for the appropriation of a special earnings reserve at the transition date, the Company may appropriate a special earnings reserve up to the amount of increase in retained earnings. Upon the use, disposal, or reclassification of related assets, the Company may reverse the special earnings reserve proportionately. As a result of elections made according to IFRS 1, the Company has reclassified \$(103,035) thousand to retained earnings and is not required to appropriate a special earnings reserve.

A portion of current-period earnings and undistributed prior-period earnings shall be reclassified as a special earnings reserve during earnings distribution. The amount to be reclassified should be equal to the difference between the total net current-period reduction of special earnings reserve resulting from the first-time adoption of IFRSs and the carrying amount of other shareholders' equity as stated above. Similarly, a portion of undistributed prior-period earnings shall be reclassified as a special earnings reserve (which does not qualify for earnings distribution) to account for cumulative changes to other shareholders' equity pertaining to prior periods due to the first-time adoption of IFRSs. Amounts of subsequent reversals pertaining to the net reduction of other shareholders' equity shall qualify for additional distributions.

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3) Distribution of retained earnings

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

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

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

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

The appropriations of 2018 and 2017 earnings as dividends to stockholders that were approved by the Company's shareholders during their meetings on June 6, 2019, and June 21, 2018, respectively, were as follows:

	2018		2017	
	Amount per share (NT dollars)	Total amount	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:				
Cash	\$ 0.98	<u><u>809,195</u></u>	0.96	<u><u>792,682</u></u>

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

	2019	
	Amount per share (NT dollars)	Total amount
Dividends distributed to common shareholders:		
Cash	\$ 0.50	<u><u>412,855</u></u>

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(iv) Other equities (net for tax)

	Foreign exchange differences arising from foreign operations	Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	Gains (losses) on hedging instruments	Total
Balance as of January 1, 2019	\$ 465,589	801,805	(68,134)	1,199,260
Foreign exchange differences arising from foreign operations	(428,553)	-	-	(428,553)
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(13,653)	-	-	(13,653)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	106,662	-	106,662
Disposal of investments in equity instruments designated at fair value through other comprehensive income	-	(197,373)	-	(197,373)
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	(12,392)	(12,392)
Balance as of December 31, 2019	<u>\$ 23,383</u>	<u>711,094</u>	<u>(80,526)</u>	<u>653,951</u>
Balance as of January 1, 2018	\$ 512,008	593,961	11,721	1,117,690
Foreign exchange differences arising from foreign operations	24,421	-	-	24,421
Exchange differences on translation financial statements of foreign subsidiaries accounted for using equity method	(70,840)	-	-	(70,840)
Unrealized gains (losses) from financial assets measured at fair value through other comprehensive income	-	207,844	-	207,844
Share of other comprehensive income of associates and joint ventures accounted for under equity method, losses on effective portion of cash flow hedges	-	-	(79,855)	(79,855)
Balance as of December 31, 2018	<u>\$ 465,589</u>	<u>801,805</u>	<u>(68,134)</u>	<u>1,199,260</u>

(t) Earnings per share

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

(i) Basic earnings per share

	2019	2018
Net income attributable to common shareholders of the Company	<u>\$ 740,316</u>	<u>1,192,186</u>
Weighted-average number of common shares	<u>825,710</u>	<u>825,710</u>
Basic earnings per share (in NT dollars)	<u>\$ 0.90</u>	<u>1.44</u>

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(ii) Diluted earnings per share

	2019	2018
Net income attributable to common shareholders of the Company (diluted)	\$ <u>740,316</u>	<u>1,192,186</u>
Weighted-average number of common shares (basic)	825,710	825,710
Impact of potential common shares		
Effect of employees' bonuses	<u>2,686</u>	<u>2,683</u>
Weighted-average number of shares outstanding (diluted)	<u>828,396</u>	<u>828,393</u>
Diluted earnings per share (in NT dollars)	\$ <u>0.89</u>	<u>1.44</u>

(u) 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 years ended December 31, 2019 and 2018, the estimated amounts of employees' bonuses were \$53,614 thousand and \$64,290 thousand, respectively, and the estimated amounts of directors' remuneration were \$9,813 thousand and \$14,064 thousand, respectively. The estimated amounts mentioned above were according to the Company's articles of incorporation, and were recorded as operating cost or operating expenses in the respective periods. Related information would be available at the Market Observation Post System website. The amounts, as stated in the consolidated financial statements, are identical to those of the actual distributions for 2019 and 2018.

(v) Revenue from contracts with customers

	2019		
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	\$ 18,949,295	1,788,382	20,737,677
America	4,163,464	14,040	4,177,504
Europe	3,111,948	-	3,111,948
Others	<u>883,594</u>	<u>-</u>	<u>883,594</u>
	<u>\$ 27,108,301</u>	<u>1,802,422</u>	<u>28,910,723</u>
Major product lines:			
Synthetic rubber / elastomers	26,047,706	-	26,047,706
Applied materials	-	1,800,833	1,800,833
Others	<u>1,060,595</u>	<u>1,589</u>	<u>1,062,184</u>
	<u>\$ 27,108,301</u>	<u>1,802,422</u>	<u>28,910,723</u>

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	2018		
	Synthetic rubber	Non-synthetic rubber	Total
Primary geographical markets:			
Asia	\$ 19,476,346	1,675,761	21,152,107
America	4,444,409	15,632	4,460,041
Europe	3,314,608	-	3,314,608
Others	824,410	52	824,462
	<u>\$ 28,059,773</u>	<u>1,691,445</u>	<u>29,751,218</u>
Major product lines:			
Synthetic rubber / elastomers	27,112,256	-	27,112,256
Applied materials	-	1,689,317	1,689,317
Others	947,517	2,128	949,645
	<u>\$ 28,059,773</u>	<u>1,691,445</u>	<u>29,751,218</u>
(w) Other income and expenses			
	2019	2018	
Rental income	\$ 36,046	80,276	
Royalty income	103,930	131,530	
Net service income	10,185	13,854	
Depreciation of investment properties	(14,725)	(14,726)	
Net other income	32,039	41,579	
Other income and expenses	<u>\$ 167,475</u>	<u>252,513</u>	
(x) Non-operating income and expenses			
(i) Other gains			
	2019	2018	
Interest income	\$ 91,875	78,175	
Dividend income	69,992	81,371	
Gains from bargain purchase	-	11,820	
Other gains	<u>\$ 161,867</u>	<u>171,366</u>	
(ii) Other gains and losses			
	2019	2018	
Loss on disposal of property, plant and equipment, net	\$ (35,325)	(23,824)	
Foreign exchange gain, net	15,977	7,380	
Gains (losses) on financial assets (liabilities) at fair value through profit or loss	29,546	23,685	
Other income (loss)	2,136	21,736	
Other gains and losses, net	<u>\$ 12,334</u>	<u>28,977</u>	

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(iii) Finance costs

	2019	2018
Interest expense	\$ <u>188,550</u>	<u>169,434</u>

(y) Reclassification of components of other comprehensive income

The changes in components of other comprehensive income were as follows:

	2019	2018
Effective portion of cash flow hedges:		
Net gains (losses) for current year	\$ (14,112)	(86,325)
Less: Adjustment of reclassification included in profit or loss	(1,720)	(6,470)
Net gains (losses) recognized in other comprehensive income	\$ <u>(12,392)</u>	<u>(79,855)</u>

(z) Financial instruments

(i) Credit risk

1) Credit risk exposure

The maximum credit risk exposure of the Group's financial assets is equal to their carrying amount. As of December 31, 2019 and 2018, the maximum credit risk exposure amounted to \$9,619,808 thousand, and \$9,416,810 thousand, respectively.

2) Concentration of credit risk

The Group's cash and cash equivalents and accounts receivable are the main source of potential credit risk. The Group deposits its cash and cash equivalents in different financial institutions and has no concentration of credit risk on an individual customer. Therefore, the Group concluded that it is not exposed to credit risk.

The Group guarantees bank loans for investees. The Group concluded that it is not exposed to credit risk for these transactions.

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(ii) Liquidity risk

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

	<u>Contractual cash flows</u>	<u>Within 6 months</u>	<u>6-12 months</u>	<u>1-2 years</u>	<u>2-5 years</u>	<u>Over 5 years</u>
December 31, 2019						
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	976,390	976,390	-	-	-	-
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	-	-	-	-
Provision for guarantee liabilities — non-current	2,545,098	194,540	1,348,028	-	1,002,530	-
Derivative financial liabilities						
Other swap contracts/other forward contracts:						
Outflow	<u>5,672</u>	<u>5,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 17,210,941</u>	<u>8,431,166</u>	<u>1,923,224</u>	<u>3,380,988</u>	<u>3,207,930</u>	<u>267,633</u>
December 31, 2018						
Non-derivative financial liabilities						
Short-term debts	\$ 4,173,699	3,936,374	237,325	-	-	-
Accounts payable (including related parties)	1,514,522	1,514,522	-	-	-	-
Other payables	997,500	997,500	-	-	-	-
Long-term debts (including current portion)	5,286,619	468,567	466,625	628,261	3,723,166	-
Deposits received	49,266	49,266	-	-	-	-
Provision for guarantee liabilities — non-current	2,992,087	732,738	797,995	437,945	1,023,409	-
Derivative financial liabilities						
Other swap contracts/other forward contracts:						
Outflow	<u>2,066</u>	<u>2,066</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 15,015,759</u>	<u>7,701,033</u>	<u>1,501,945</u>	<u>1,066,206</u>	<u>4,746,575</u>	<u>-</u>

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

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(iii) 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>
December 31, 2019			
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
December 31, 2018			
Financial assets:			
Monetary assets:			
USD	\$ 56,469	30.7330	1,735,462
EUR	\$ 12,984	35.2047	457,098
JPY	\$ 77,582	0.2784	21,599
CNY	\$ 17,665	4.4742	79,037
Financial liabilities:			
Monetary liabilities:			
USD	\$ 57,225	30.7330	1,758,696
EUR	\$ 11,634	35.2047	409,571
JPY	\$ 24,691	0.2784	6,874

2) Sensitivity analysis

The Group's exposure to foreign currency risk arose from cash and cash equivalents, accounts and other receivables, loans and borrowings, and accounts and other payables that were denominated in foreign currencies. If the NTD against the USD, EUR, CNY and JPY had appreciated/depreciated by 1% the Group's net income before tax would have increased/decreased by \$2,010 thousand and \$1,181 thousand for the years ended December 31, 2019 and 2018, respectively, with all other variable factors remaining constant. The analysis was performed on the same basis for both periods.

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3) Foreign exchange gain and loss on monetary item

Since the Group has many kinds of functional currency, the information on foreign exchange gain (loss) on monetary items is disclosed by total amount. For the years ended December 31, 2019 and 2018, foreign exchange gain (including realized and unrealized) amounting to \$45,523 thousand and \$31,065 thousand, respectively.

(iv) 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 increased / decreased by \$100,384 thousand and \$92,158 thousand for the years ended December 31, 2019 and 2018, respectively, with all other variable factors remaining constant. This is mainly due to the Group's borrowing at floating rates.

(v) Fair value

1) Categories and fair value of financial instruments

Except for the followings, carrying amount of the Group's financial assets and liabilities are valued approximately to their fair value, and are not based on observable market date and the value measurements which are not reliable. No additional fair value disclosure is required in accordance to the regulations.

		December 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	\$ 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
Total	\$ 1,137,902	115,200	14	1,022,688	1,137,902
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ 5,672	-	5,672	-	5,672

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		December 31, 2018			
	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit or loss					
Derivative financial assets for hedging	\$ 679	-	679	-	679
Financial assets at fair value through other comprehensive income					
Listed stocks (domestic)	305,631	305,631	-	-	305,631
Unlisted stocks (domestic and overseas)	994,175	-	-	994,175	994,175
Subtotal	<u>1,299,806</u>	<u>305,631</u>	<u>-</u>	<u>994,175</u>	<u>1,299,806</u>
Total	<u>\$ 1,300,485</u>	<u>305,631</u>	<u>679</u>	<u>994,175</u>	<u>1,300,485</u>
Financial liabilities at fair value through profit or loss					
Derivative financial liabilities for hedging	\$ <u>2,066</u>	<u>-</u>	<u>2,066</u>	<u>-</u>	<u>2,066</u>

2) Valuation techniques and assumptions used in fair value determination

If the financial instruments held by the Group have the quoted market price in active market, the fair value of the assets is based on the quoted market price. However, if the instruments have no quoted market price in active market, the Group uses market comparison approach to evaluate the fair value. The main assumption is based on the investee's earnings after tax and the listed (over the counter) company's earnings used in computing the market price. The estimated price has been discounted due to the price of the securities lacks the liquidity. The liquidity discount is a significant unobservable input in valuing equity investment. Forward exchange contracts are normally priced based on the exchange rates provided by the world agencies.

3) Reconciliation of Level 3 fair values

	Unquoted equity instruments
Balance at January 1, 2019	\$ 994,175
Total gains recognized:	
In other comprehensive income	28,513
Balance at December 31, 2019	<u>\$ 1,022,688</u>
Balance at January 1, 2018	\$ 885,097
Total losses recognized:	
In other comprehensive income	109,078
Balance at December 31, 2018	<u>\$ 994,175</u>

(Continued)

TSRC CORPORATION AND SUBSIDIARIES
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- 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"> Multipliers of price-to-earnings ratios as of December 31, 2019 and December 31, 2018 were 15.79~17.41 and 13.20~17.32, respectively Multipliers of equity ratio 1.17 Market illiquidity discount rate as of December 31, 2019 and December 31, 2018 was all 20% 	<p>The estimated fair value would increase (decrease) if</p> <ul style="list-style-type: none"> the multiplier was higher (lower) the market illiquidity discount was lower (higher)

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

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

			<u>Other comprehensive income</u>	
	<u>Input</u>	<u>Assumptions</u>	<u>Favorable</u>	<u>Unfavorable</u>
December 31, 2019				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 12,809	(12,809)
December 31, 2018				
Financial assets fair value through other comprehensive income				
Equity investments without an active market	Liquidity discount at 20%	1%	\$ 12,431	(12,431)

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.

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TSRC CORPORATION AND SUBSIDIARIES
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(aa) Financial risk management

(i) Overview

The Group is exposed to the following risks arising from financial instruments:

- 1) Credit risk
- 2) Liquidity risk
- 3) Market risk

This note discloses information about the Group's exposure to the aforementioned risks, and its goals, policies, and procedures regarding the measurement and management of these risks. For additional quantitative disclosures of these risks, please refer to the notes regarding each risk disclosed throughout the financial report.

(ii) Risk management framework

The Group's finance department is responsible for the establishment and management of the Group's risk management framework and policies. It is overseen by and reports to management, the Audit Committee, and the Board of Directors regarding the framework's operations.

The Group's risk management policies are established to identify and analyze the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Group's Audit Committee is assisted in its oversight role by Internal Audit, with undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

(iii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

1) Accounts receivable and Notes Receivable

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk, particularly during deteriorating economic circumstances. The Group's Accounts Receivable and Notes Receivable are mainly due from customers in China, accounting 53% and 43% of the total amount of the receivables as of December 31, 2019, and 2018, respectively.

The sales department and the finance department of the Group has established a credit policy under which each new customer is analyzed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered. The Group's review includes the history of transactions with the counter-party, its financial position, and geographic considerations. Purchase limits are established for each customer, which represent the maximum open amount without requiring approval; these limits are reviewed on a periodic basis. Customers that fail to meet the Group's benchmark creditworthiness may transact with the Group only on a prepayment basis.

Goods are sold subject to a retention of title clause so that in the event of non-payment, the Group may have a secured claim. The Group otherwise does not require collateral in respect of trade and other receivables.

The Group has established an allowance for doubtful accounts to reflect its actual and estimated potential losses resulting from uncollectible accounts and trade receivables. The allowance for doubtful accounts consists primarily of specific losses regarding individual customers and estimates of potential losses based on the use of lifetime expected credit loss provision.

2) Investments

The credit risk exposure in the bank deposits and other financial instruments is measured and monitored by the Group's finance department. Since those who transact with the Group are banks and other external parties with good credit standing, financial institutions with a credit rating above investment grade, and government agencies, there are no non-compliance issues. With regard to investment in a financial institution with a credit rating above investment grade, an investment limit is set according to the long-term credit rating. Hence, there is no significant credit risk.

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TSRC CORPORATION AND SUBSIDIARIES
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3) Guarantees

The Group's policy allows it to provide financial guarantees to business partners or to related parties and jointly controlled entities according to its percentage ownership in these entities. Financial guarantees provided by the Group as of December 31, 2019 and 2018, are disclosed in note 7 "Related-party Transactions."

(iv) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it always has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Generally, the Group ensures that it maintains sufficient cash and unused loans to meet expected operational expenses, including the fulfillment of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

(v) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters.

1) Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currency of the Company. The currencies used in these transactions are NTD, EUR, USD, JPY and CNY.

Foreign exchange gains and losses resulting from account and trade receivables held by the Group in a currency other than the respective functional currencies are used to offset foreign exchange gains and losses resulting from short-term loans denominated in a foreign currency. Hence, the Group's risk exposure to foreign exchange risk is reduced.

Interest expenses are denominated in the same currency as that of the principal. Generally, the currency of loans matches that of the Group's operating cash flow, primarily consisting of NTD, EUR, USD, JPY, and CNY.

With regard to monetary assets and liabilities denominated in a foreign currency, when a short-term risk exposure exists, the Group relies on immediate foreign exchange transactions to ensure the net exposure to foreign exchange risk is maintained at an acceptable level.

The Group does not hedge against investments of related parties.

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TSRC CORPORATION AND SUBSIDIARIES
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2) Interest rate risk

The interest rates of the Group's long-term and short-term borrowings are floating. Hence, changes in market conditions will cause fluctuations in the effective interest rate of the aforementioned loans. The Group's finance department monitors and measures potential changes in market conditions, entering into interest rate swaps to achieve a fixed interest rate on the Group's loans.

3) Other market price risk

The Group does not enter into any commodity contracts other than to meet the Group's expected usage and sales requirements; such contracts are not settled on a net basis.

(ab) Capital management

The Group's goal of capital management is to ensure the Group's continuing operating capacity, and to continuously provide remuneration to the shareholders and benefits to other equity holders. To ensure that the above-mentioned goal is achieved, the Group's management reviews its capital structure periodically. In consideration of the overall economic situation, financing cost and sufficiency of cash in-flows generated by operating activities, the Group will adjust its capital structure by paying dividends, issuing new stock, purchasing treasury stock, increasing or decreasing loans, and issuing or purchasing bonds.

The Group's capital structure at the end of the reporting period were as follows:

	December 31, 2019	December 31, 2018
Total liabilities	\$ 16,062,200	13,348,328
Total equity	<u>16,452,723</u>	<u>16,881,841</u>
Total assets	<u>\$ 32,514,923</u>	<u>30,230,169</u>
Debts ratio	<u>49 %</u>	<u>44 %</u>

As of December 31, 2019, there were no material changes in the Group's debts ratio.

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

The Group did not have any non-cash flow transactions on investing and financing activities for the years ended December 31, 2019 and 2018.

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TSRC CORPORATION AND SUBSIDIARIES
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(ad) Reconciliation of liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities for the years ended December 31, 2019 and 2018 were as follows:

	January 1, 2019	Cash flows	Non-cash changes			December 31, 2019
			Foreign exchange movement	Amortization of commercial paper discount	Others	
Long-term borrowings (including current portion)	\$ 4,568,325	432,005	(40,390)	-	-	4,959,940
Other long-term borrowings	499,693	(155,663)	-	5,257	-	349,287
Short-term borrowings	4,147,772	651,635	(70,259)	-	-	4,729,148
Lease liabilities	1,061,164	(195,171)	(22,363)	10,400	7,601	861,631
Total liabilities from financing activities	<u>\$ 10,276,954</u>	<u>732,806</u>	<u>(133,012)</u>	<u>15,657</u>	<u>7,601</u>	<u>10,900,006</u>

	January 1, 2018	Cash flows	Non-cash changes			December 31, 2018
			Foreign exchange movement	Amortization of commercial paper discount		
Long-term borrowings (including current portion)	\$ 1,600,000	2,953,662	14,663	-	-	4,568,325
Other long-term borrowings	-	494,940	-	4,753	-	499,693
Short-term borrowings	6,365,254	(2,525,355)	307,873	-	-	4,147,772
Short-term commercial paper payable	349,975	(350,477)	-	502	-	-
Total liabilities from financing activities	<u>\$ 8,315,229</u>	<u>572,770</u>	<u>322,536</u>	<u>5,255</u>		<u>9,215,790</u>

(7) Related-party Transactions

(a) Parent company and ultimate controlling party

Montrion Corporation is the ultimate controlling party of the Group, which indirectly holds 14.14% of the company's outstanding common shares through Han-De Construction Co., Ltd. and Wei-Dar Development Co., Ltd. and controls more than half of board of directors members.

(b) Names and relationship with related parties

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

<u>Name of related party</u>	<u>Relationship with the Group</u>
Indian Synthetic Rubber Private Limited	The Group recognized joint venture under equity method (reclassified from associate to joint venture since April 2018)
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	The Group recognized associates under equity method
Asia Pacific Energy Development Co., Ltd.	//
Taiwan Advanced Material Corp.	The Group recognized joint venture under equity method (has been liquidated in December 2018)
Nantong Qix Storage Co., Ltd.	The Group recognized joint venture under equity method
Marubeni Corporation	Corporate investor of the consolidated entity
UBE Industrial Ltd.	//

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TSRC CORPORATION AND SUBSIDIARIES
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<u>Name of related party</u>	<u>Relationship with the Group</u>
Metropolis Property Management Corporation	Other related parties of the group
Continental Engineering Corporation	"
WFV Corporation	"
UBE (Shanghai) Ltd.	Subsidiary of corporate investor of the consolidated entity

(c) Significant transactions with related parties

(i) Operating revenue

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

	<u>2019</u>	<u>2018</u>
Associates	\$ <u>33,669</u>	<u>17,149</u>

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

(ii) Purchases

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

	<u>2019</u>	<u>2018</u>
Others	\$ <u>369,341</u>	<u>212,465</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:

	<u>2019</u>	<u>2018</u>
Associates		
Indian Synthetic Rubber Private Limited	\$ -	15,197
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	149,375	174,309
Joint ventures		
Indian Synthetic Rubber Private Limited	53,466	47,455
Others	3,614	3,786
Other related parties		
Others	(12,971)	(8,393)
	<u>\$ 193,484</u>	<u>232,354</u>

(Continued)

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(iv) Lease—Rent income

	<u>2019</u>	<u>2018</u>
Others	\$ <u>4,445</u>	<u>4,439</u>

The amount of rent is in reference to neighboring rent, and the rental is collected monthly from other relative parties.

(v) Receivable from related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Other receivable	Associates		
	ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 24,403	21,365
Other receivable	Joint ventures		
	Indian Synthetic Rubber Private Limited	17,541	20,820
	Others	<u>546</u>	<u>242</u>
		\$ <u>42,490</u>	<u>42,427</u>

(vi) Payable to related parties

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

<u>Account</u>	<u>Type of related parties</u>	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Accounts payable	Other related parties	\$ 59,418	-
Other payable	Other related parties	<u>910</u>	<u>908</u>
		\$ <u>60,328</u>	<u>908</u>

(vii) Guarantees

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

	<u>December 31, 2019</u>	<u>December 31, 2018</u>
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 1,113,557	1,530,733
Joint ventures		
Indian Synthetic Rubber Private Limited	<u>1,431,541</u>	<u>1,461,354</u>
	\$ <u>2,545,098</u>	<u>2,992,087</u>

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

	December 31, 2019	December 31, 2018
Associates		
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	\$ 4,080	4,428
Joint ventures		
Indian Synthetic Rubber Private Limited	15,147	24,761
	\$ 19,227	29,189

(d) Key management personnel transactions

The compensation of the key management personnel comprised the following:

	2019	2018
Short-term employee benefits	\$ 111,402	108,307
Post-employment benefits	1,498	1,288
	\$ 112,900	109,595

(8) Pledged Assets

The carrying values of pledged assets were as follows:

Pledged assets	Object	December 31, 2019	December 31, 2018
Restricted savings deposits (recorded as other non-current assets)	Guarantee for bank loans	\$ 1,233	-
Machinery etc. (recorded property, plant and equipment)	Guarantee for long-term borrowings	317,610	361,731
		\$ 318,843	361,731

(9) Commitments and Contingencies

- (a) As of December 31, 2019 and 2018, the Group's unused letters of credit outstanding for purchases of materials were \$1,898,743 thousand and \$2,050,872 thousand, respectively.
- (b) As of December 31, 2019 and 2018, the Group's signed construction and design contracts with several factories totaled \$2,222,624 thousand and \$1,717,411 thousand, respectively, of which \$1,665,915 thousand and \$466,392 thousand, respectively, were paid.

(10) Losses Due to Major Disasters: None.

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(11) Subsequent Events

The Group intends to purchase the parcel of land under the lease agreement with Yongan Industrial Park Service Center under Industrial Development Bureau of Ministry of Economic Affairs. The Group paid \$140,042 thousand on March 10, 2020 after the deduction of rent paid and security deposit, which amounted to \$102,676 thousand. As of March 17, 2020, the property transfer registration is still being processed.

(12) Others

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

By nature	By function	Year ended December 31, 2019			Year ended December 31, 2018		
		Operating costs	Operating expenses	Total	Operating costs	Operating expenses	Total
Employee benefits							
Salary		1,008,407	668,306	1,676,713	935,385	633,012	1,568,397
Labor and health insurance		88,290	59,425	147,715	84,622	55,575	140,197
Pension		76,394	39,609	116,003	73,865	36,844	110,709
Directors' remuneration		-	22,879	22,879	-	40,402	40,402
Others (note 1)		153,050	95,282	248,332	162,922	88,733	251,655
Depreciation (note 2)		811,953	170,280	982,233	743,685	116,164	859,849
Amortization		6,081	148,129	154,210	6,422	146,218	152,640

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 \$14,725 thousand and \$14,726 thousand for the years ended December 31, 2019 and 2018 were excluded.

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TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(13) Other Disclosures

(a) Information on significant transactions:

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

(i) Loans to other parties:

Unit: thousand NTD

No.	Name of lender	Name of borrower	Financial statement account	Related party	Highest balance of financing to other parties during the year	Ending balance	Amount actually drawn	Range of interest rates	Purposes of fund financing for the borrowers	Transaction amount for business between two parties	Reasons for short-term financing	Allowance for bad debt	Collateral		Financing limit for each borrowing company	Maximum financing limit for the lender
													Item	Value		
1	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	Loan	Yes	189,144	185,893	185,893	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)	474,180	451,590	353,746	-	3.03 %	(Note 3)	Y		
0	TSRC	ARLAXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	6	(Note 2)	1,557,702	1,113,557	276,544	-	7.49 %	(Note 3)			Y
0	TSRC	Indian Synthetic Rubber Private Limited	6	(Note 2)	1,503,151	1,431,541	1,217,035	-	9.62 %	(Note 3)			
0	TSRC	TSRC (Vietnam) Co., Ltd.	4	(Note 2)	458,586	439,548	391,378	-	2.95 %	(Note 3)	Y		
0	TSRC	Dexco Polymers L.P.	4	(Note 2)	316,120	301,060	245,096	-	2.02 %	(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 \$7,437,846 thousand

Note 3: The aggregate amount of guarantee by the Company is limited to 1.5 times its stockholders' equity, amounting to \$22,313,538 thousand.

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

(iii) Securities held as of December 31, 2019 (excluding investment in subsidiaries, associates and joint ventures):

Unit: thousand NTD

Name of holder	Nature and name of security	Relationship with the security issuer	Account name	Ending balance				Maximum investment in 2019	Remarks
				Number of shares	Book value	Holding percentage	Market value		
TSRC	Taiwan High Speed Rail Corporation	-	Financial assets at fair value through other comprehensive income—non-current	3,000,000	115,200	0.05 %	115,200	100,010	
TSRC	Evergreen Steel Corporation	-	Financial assets at fair value through other comprehensive income—non-current	12,148,000	349,984	3.00 %	349,984	209,878	

(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				Maximum investment in 2019	Remarks
				Number of shares	Book value	Holding percentage	Market value		
TSRC	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	599,999	147,180	5.42 %	147,180	65,143	
TSRC	Hsin-Yung Enterprise Corporation	-	Financial assets at fair value through other comprehensive income—non-current	5,657,000	320,073	3.90 %	320,073	64,296	
Dymas Corporation	Thai Synthetic Rubbers Co., Ltd.	-	Financial assets at fair value through other comprehensive income—non-current	837,552	205,451	7.57 %	205,451	57,477	
					<u>1,137,888</u>		<u>1,137,888</u>	<u>496,804</u>	

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

Unit: thousand NTD

Name of company	Counter-party	Relationship	Transaction details				Status and reason for deviation from arm's-length transaction		Account / note receivable (payable)		Remarks
			Purchase / Sale	Amount	Percentage of total purchases / sales	Credit period	Unit price	Credit period	Balance	Percentage of total accounts / notes receivable (payable)	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC	Related parties	Purchase	202,417	7.84 %	70 days	-		(34,574)	(9.97) %	
TSRC	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(202,417)	(1.86) %	70 days	-		34,574	3.24 %	
Shen Hua Chemical Industries Co., Ltd.	Marubeni Corporation	A director of Shen Hua Chemical Industries Co., Ltd.	Purchase	190,379	3.34 %	14 days	-		(45,243)	(7.02) %	
Dexco Polymers L.P.	TSRC	Related parties	Purchase	208,268	8.43 %	70 days	-		(55,015)	(13.69) %	
TSRC	Dexco Polymers L.P.	Related parties	Sale	(208,268)	(1.92) %	70 days	-		55,015	5.15 %	
TSRC-UBE (Nantong) Industries Ltd.	Marubeni Corporation	A director of TSRC-UBE (Nantong) Industries Ltd.	Purchase	178,962	8.02 %	14 days	-		(14,175)	(4.49) %	
Polybus Corporation Pte Ltd.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	264,908	84.85 %	40 days	-		(19,747)	(50.39) %	
TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	Related parties	Sale	(264,908)	(5.92) %	40 days	-		19,747	3.75 %	
TSRC (Lux.) Corporation S.'a.r.l.	Dexco Polymers L.P.	Related parties	Purchase	859,445	33.30 %	90 days	-		(82,025)	(23.65) %	
Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(859,445)	(21.19) %	90 days	-		82,025	20.42 %	
TSRC (Lux.) Corporation S.'a.r.l.	TSRC (Nantong) Industries Ltd.	Related parties	Purchase	1,518,361	58.82 %	70 days	-		(234,516)	(67.62) %	
TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a.r.l.	Related parties	Sale	(1,518,361)	(33.92) %	70 days	-		234,516	44.51 %	

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	234,516	6.09	-		128,079	-

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

Note 2: Until March 17, 2020.

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TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(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			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Sales revenue	72,269	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.25 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	52,203	"	0.18 %
0	TSRC	TSRC (Lux.) Corporation S.'a r.l.	1	Sales revenue	202,417	"	0.70 %
0	TSRC	TSRC (Lux.) Corporation S.'a r.l.	1	Accounts receivable	34,574	"	0.11 %
0	TSRC	Polybus Corporation Pte Ltd	1	Sales revenue	69,339	"	0.24 %
0	TSRC	Dexco Polymers L.P.	1	Sales revenue	208,268	"	0.72 %
0	TSRC	Dexco Polymers L.P.	1	Accounts receivable	55,015	"	0.17 %
0	TSRC	TSRC (Nantong) Industries Ltd.	1	Other income and expenses	53,967	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.19 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Shanghai) Industries Ltd.	3	Sales revenue	62,575	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.22 %
1	TSRC (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	264,908	"	0.92 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	1,518,361	"	5.25 %
1	TSRC (Nantong) Industries Ltd.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	234,516	"	0.72 %
1	TSRC (Nantong) Industries Ltd.	TSRC-UBE (Nantong) Industries Ltd.	3	Other income and expenses	213,465	"	0.74 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Sales revenue	859,445	The transaction is not significantly different from normal transactions, and the collection terms were about three months	2.97 %
2	Dexco Polymers L.P.	TSRC (Lux.) Corporation S.'a r.l.	3	Accounts receivable	82,025	"	0.25 %
3	TSRC (Lux.) Corporation S.'a r.l.	TSRC	2	Other income and expenses	50,390	The transaction is not significantly different from normal transactions, and the collection terms were about six months	0.17 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Sales revenue	57,973	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.20 %
4	TSRC (Shanghai) Industries Ltd.	TSRC (Nantong) Industries Ltd.	3	Entrusted loans	185,893	One year based on the contract of entrusted loans	0.57 %
5	TSRC-UBE (Nantong) Industries Ltd.	Polybus Corporation Pte Ltd.	3	Sales revenue	46,491	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.16 %

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TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

No.	Name of company	Name of counter-party	Existing relationship with the counter-party	Transaction details			
				Account name	Amount	Trading terms	Percentage of the total consolidated revenue or total assets
5	TSRC-UBE (Nantong) Industries Ltd.	Shen Hua Chemical Industries Co., Ltd.	3	Sales revenue	63,196	The transaction is not significantly different from normal transactions, and the collection terms were about two months	0.22 %
0	TSRC	TSRC(USA) Investment Corporation	1	Note 4	451,590	-	-
0	TSRC	TSRC (Vietnam) Co., Ltd.	1	Note 4	439,548	-	-
0	TSRC	Dexco Polymers L.P.	1	Note 4	301,060	-	-

Note 1: Company numbering is as follows:

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

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

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

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

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

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

(b) Information on investees:

The following is the information on investees for the year ended December 31, 2019 (excluding information on investees in Mainland China):

Name of investor	Name of investee	Address	Scope of business	Original cost		Ending balance			Maximum investment amount in 2019	Net income (losses) of investee	Investment income (losses)	Remarks
				December 31, 2019	December 31, 2018	Shares	Percentage of ownership	Book value				
TSRC	Trimurti Holding Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I	Investment corporation	1,005,495	1,005,495	86,920,000	100.00 %	13,358,067	1,005,495	716,150	716,150	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 %	927,087	109,442	85,956	85,956	Subsidiary
TSRC	Dymas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I	Investment corporation	38,376	38,376	1,161,004	19.48 %	189,652	38,376	97,870	19,065	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 %	244,355	278,280	(25,105)	(25,105)	Subsidiary
Trimurti Holding Corporation	Polybus Corporation Pre Ltd.	100 Peck Seah Street #09-16 Singapore 079333	International commerce and investment corporation	1,959,931 (USD65,101)	1,959,931 (USD65,101)	105,830,000	100.00 %	7,249,603	1,959,931	654,489	654,489	Indirectly owned subsidiary
Trimurti Holding Corporation	TSRC (Hong Kong) Limited	15/F Boc Group Life Assurance Tower, 136 Des Voeux Road Central	Investment corporation	2,343,752 (USD77,850)	2,343,752 (USD77,850)	77,850,000	100.00 %	3,151,241	2,343,752	(9,184)	(9,184)	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	887,314 (USD29,473)	887,314 (USD29,473)	222,861,375	50.00 %	396,539	887,314	148,699	74,350	-
TSRC (Hong Kong) Limited	TSRC (Lux.) Corporation S.à r.l.	39-43 avenue de la Liberté L-1931 Luxembourg	International commerce and investment corporation	1,714,439 (EUR50,800)	1,714,439 (EUR50,800)	50,800,000	100.00 %	2,548,506	1,714,439	(86,545)	(86,545)	Indirectly owned subsidiary
TSRC (Lux.) Corporation S.à r.l.	TSRC (USA) Investment Corporation	2711 Centerville Road, Suite 400, County of New Castle, Wilmington, Delaware, USA	Investment corporation	2,108,925 (USD70,050)	2,108,925 (USD70,050)	100	100.00 %	2,490,167	2,108,925	(76,335)	(76,335)	Indirectly owned subsidiary
TSRC (USA) Investment Corporation	Dexco Polymers L.P.	12012 Wickchester Lane, Suite 280, Houston, TX, USA	Production and sale of TPE	5,798,927 (USD192,617)	5,798,927 (USD192,617)	-	100.00 %	1,520,826	5,798,927	115,183	115,183	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	1,505 (USD50)	1,505 (USD50)	50,000	100.00 %	119,631	1,505	7,211	7,211	Indirectly owned subsidiary
Hardison International Corporation	Dymas Corporation	Palm Grove House, P.O. BOX 438, Road Town, Tortola, B.V.I	Investment corporation	144,479 (USD4,799)	144,479 (USD4,799)	4,798,566	80.52 %	805,234	144,479	97,870	78,805	Indirectly owned subsidiary
Dymas Corporation	Asia Pacific Energy Development Co., Ltd.	Cayman Islands	Consulting for electric power facilities management and electrical system design	339,746 (USD11,285)	339,746 (USD11,285)	7,522,337	37.78 %	404,508	339,746	218,853	82,683	-

Note 1: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.106; EUR1 to NTD33.7488).

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

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

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TSRC CORPORATION AND SUBSIDIARIES

Notes to the Consolidated Financial Statements

(c) Information on investment in Mainland China:

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

Name of investee in Mainland China	Scope of business	Issued capital	Method of investment (Note 1)	Cumulative investment (amount) from Taiwan as of January 1, 2019	Investment flow during current period		Cumulative investment (amount) from Taiwan as of December 31, 2019	Net income (losses) of investee	Direct / indirect investment holding percentage	Maximum investment in 2019	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	1,240,969 (USD41,220)	(2)a.	-	-	-	-	142,721	65.44 %	812,090	93,396 (note 2)	1,769,841	4,379,389
Changzhou Asia Pacific Co-generation Co., Ltd.	Power generation and sale of electricity and steam	695,449 (USD23,100)	(2)c.	115,366 (USD3,832)	-	-	115,366 (USD3,832)	324,781	28.34 %	197,090	92,043 (note 2)	389,012	-
TSRC (Shanghai) Industries Ltd.	Production and sale of compounding materials	165,583 (USD5,500)	(2)b.	118,015 (USD3,920)	-	-	118,015 (USD3,920)	81,606	100.00 %	165,583	81,606 (note 2)	491,027	-
Nantong Qix Storage Co., Ltd.	Storehouse for chemicals	90,318 (USD3,000)	(2)d.	45,159 (USD1,500)	-	-	45,159 (USD1,500)	15,056	50.00 %	45,159	7,528 (note 2)	66,433	-
TSRC-UBE (Nantong) Industries Ltd.	Production and sale of synthetic rubber products	1,204,240 (USD40,000)	(2)a.	30,106 (USD1,000)	-	-	30,106 (USD1,000)	61,066	55.00 %	662,332	33,586 (note 2)	795,943	-
TSRC (Nantong) Industries Ltd.	Production and sale of TPE	3,164,893 (USD105,125)	(2)a.	200,145 (USD6,648)	-	-	200,145 (USD6,648)	496,578	100.00 %	3,164,893	496,578 (note 2)	4,335,549	-
ARLANXEO-TSRC (Nantong) Chemical Industries Co., Ltd.	Production and sale of NBR	1,348,749 (USD44,800)	(2)a.	-	-	-	-	39,130	50.00 %	674,375	19,565 (note 3)	231,111	-

Note 1: The method of investment is divided into the following four categories:

- (1) Remittance from third-region companies to invest in Mainland China.
- (2) Through the establishment of third-region companies then investing in Mainland China.
 - a. Through the establishment of Polybus Corporation Pte Ltd. then investing in Mainland China.
 - b. Through the establishment of TSRC (Hing Kong) Limited then investing in Mainland China.
 - c. Through the establishment of Asia Pacific Energy Development Co., Ltd. then investing in Mainland China.
 - d. Through the establishment of Triton International Holdings Corporation then investing in Mainland China.
- (3) Through transferring the investment to third-region existing companies then investing in Mainland China.
- (4) Other methods: EX: delegated investments.

Note 2: The investment income (losses) were recognized under the equity method and based on the financial statements audited by the auditor of the Company.

Note 3: The investment income (losses) were recognized under the equity method and based on the financial statements audited by international accounting firms.

Note 2: Amounts in foreign currencies were translated based on the exchange rate at the reporting date (USD1 to NTD30.106).

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

(ii) Limitation on investment in Mainland China:

Company name	Accumulated investment amount in Mainland China as of December 31, 2019	Investment (amount) approved by Investment Commission, Ministry of Economic Affairs	Maximum investment amount set by Investment Commission, Ministry of Economic Affairs
TSRC	508,791 (USD16,900)	5,639,908 (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 NTD30.106).

(iii) Significant transactions:

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

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Notes to the Consolidated Financial Statements

(14) Segment Information

(a) General information

There are two segments which should be reported: synthetic rubber and non-synthetic rubber others. The synthetic rubber segment produces and sells synthetic rubber and TPE products. The non-synthetic rubber segment produces and sells applied materials. The others segment provides storage service.

A reportable department is a strategic business unit providing different products and services. Because each strategic business unit requires different kinds of techniques and marketing tactics, it should be separately managed. Most of the strategic divisions were acquired separately. The management of the acquired divisions remains employed by the Group.

(b) Information on income and loss, assets, liabilities, basis of measurement, and the reconciliation for reportable segments

The Group uses the internal management report that the chief operating decision maker reviews as the basis to determine resource allocation and make a performance evaluation. The internal management report includes profit before taxation, but not including any extraordinary activity. Because taxation and extraordinary activity are managed on a group basis, they are not able to be allocated to each reportable segment. In addition, not all profit or loss from reportable segments includes significant non-cash items such as depreciation and amortization. The reportable amount is consistent with that in the report used by the chief operating decision maker.

The operating segment accounting policies are consistent with those described in note 4 "Significant Accounting Policies".

The Group treated intersegment sales and transfers as third-party transactions. They are measured at market price.

Information on reportable segments and reconciliation for the Group is as follows:

	2019				
	Synthetic rubber	Non-synthetic rubber	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	\$ 27,108,301	1,802,422	-	-	28,910,723
Interest revenue	75,285	2,993	13,597	-	91,875
Total revenue	\$ 27,183,586	1,805,415	13,597	-	29,002,598
Interest expenses	\$ 180,746	13,503	-	(5,699)	188,550
Depreciation and amortization	\$ 1,070,769	67,570	14,725	(1,896)	1,151,168
Share of profit of equity-accounted investees (associates and jointly controlled entities)	\$ 869,944	-	90,211	(776,029)	184,126
Reportable segment profit or loss	\$ 827,226	322,279	7,149	97,984	1,254,638
Reportable segment assets and liabilities (note)	\$ -	-	-	-	-

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

	2018				
	Synthetic rubber	Non-synthetic rubber	Others	Adjustments or elimination	Total
Revenue:					
Revenue from external customers	\$ 28,059,773	1,691,445	-	-	29,751,218
Interest revenue	63,495	4,093	10,587	-	78,175
Total revenue	\$ 28,123,268	1,695,538	10,587	-	29,829,393
Interest expenses	\$ 161,061	9,216	-	(843)	169,434
Depreciation and amortization	\$ 964,225	52,729	14,725	(4,464)	1,027,215
Share of profit of equity-accounted investees (associates and jointly controlled entities)	\$ 1,305,978	-	59,312	(1,067,570)	297,720
Reportable segment profit or loss	\$ 1,226,488	332,391	25,183	46,381	1,630,443
Reportable segment assets and liabilities (note)	\$ -	-	-	-	-

Note: 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.

(c) **Geographical information**

In presenting information on the basis of geography, segment revenue is based on the geographical location of customers, and segment assets are based on the geographical location of the assets.

Geographical information	2019	2018
Revenue from external customers:		
China	\$ 12,016,138	12,567,753
United States	3,575,084	3,887,293
Taiwan	3,392,860	2,975,814
Thailand	1,493,596	1,868,240
Vietnam	1,420,734	1,279,319
Germany	1,339,558	1,250,867
Japan	604,319	596,790
Other countries	5,068,434	5,325,142
Total	\$ 28,910,723	29,751,218
	December 31, 2019	December 31, 2018
Non-current assets:		
China	\$ 7,424,648	6,216,425
Taiwan	4,544,863	4,494,372
United States	2,337,074	2,295,249
Other countries	1,484,093	818,840
Total	\$ 15,790,678	13,824,886

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TSRC CORPORATION AND SUBSIDIARIES
Notes to the Consolidated Financial Statements

Non-current assets include investment accounted for under the equity method, property, plant and equipment, right-of-use assets, investment property, intangible assets, and other assets, not including financial instruments, deferred tax assets, pension fund assets, and rights arising from insurance contract (non-current).

(d) Information about major customers

For the years 2019 and 2018, the Group had no major customer who constituted 10% or more of net sales.